

*File*RADIO ENGINEERING PRODUCTS LIMITED

5780 Decelles Avenue

Montreal, P. Q.

(514) 731 - 3251

FACT SHEET:

- Established in 1946 by Charles B. and Sidney T. Fisher.
- The company is a leading designer and producer of multiplex telephone and telegraph equipment. Multiplexers permit several voice and teleprinter channels to use a single radio or line circuit simultaneously.
- Radio Engineering Products is the largest manufacturer of field telephones in the free world.
- More than 1,100 persons are employed at Radio Engineering Products Atholville, N. B. manufacturing facility and its Montreal research and development laboratories.
- Radio Engineering Products sells communications equipment to the Governments of the United States, Canada, Israel, Sweden, Australia, New Zealand and India.
- Sales during 1967 rose to \$5,074,660 from \$2,644,325 in the preceding year. Profit increased to \$946,452 from \$274,421.
- Current unbilled orders exceed \$23 million.
- More than 90 per cent of sales are for export markets, partly through Canadian Commercial Corporation, a Crown corporation.
- In the past, Radio Engineering Products supplied a number of NATO mobile communications centres for installation in Europe and Asia. It also provided an early missile tracking system installed at Cape Kennedy, Florida.
- The first public offering of shares was made in March, 1968. Application has been made for listing of the shares on the Montreal Stock Exchange.
- Management includes internationally-renowned engineers in the fields of electronics and communications. Radio Engineering Products has been in operation for 22 years and has developed a number of sophisticated communications products including:
 - . solid-state multiplex units and accessories
 - . 26-pair field cable assemblies
 - . immersion-proof field connector assemblies
 - . amplifiers for shipboard use
 - . antennas and masts for tactical service

- . Radio Engineering Products maintains a strong research and development staff, including communications systems designers, electrical circuit designers, production engineers and field trial specialists. Current projects include the development of sophisticated accessories for the multiplexer and other new products.
- . Research and development costs are recoverable on sales made through Canadian Commercial Corporation, a Crown corporation. About 90 per cent of dollar volume is derived from CCC sales.
- . Wholly-owned subsidiaries are located in Sweden and the United States.

CHARLES B. FISHER
President
Radio Engineering Products Limited
5780 Decelles Avenue
Montreal, Quebec. (514) 731-3251

BIOGRAPHICAL DATA:

Charles B. Fisher holds a Bachelor of Applied Science degree in Electrical Engineering (Communications) from the University of Toronto, and a Master's degree in Electrical Engineering from McGill University. In 1955 he was awarded an honorary Doctor of Science degree from Laval University.

With his brother, Sidney, he joined Northern Electric Co. in 1928, when the electronics industry was in its infancy. In the early 1940's he was a special adviser to the British Ministry of Supply in Washington, before becoming vice-president of Eicor Corporation of Chicago.

In 1946 he founded Radio Engineering Products with his brother, Sidney, and established headquarters in Montreal. The early years of the company were concerned with the manufacture and installation of radio links to permit telephone service to areas lacking long-distance lines, particularly in Alberta, the North-West Territories, the lower St. Lawrence and Newfoundland. Later, the company specialized in forward-area tactical communications and today leads the world in that field.

Charles Fisher is the author of several engineering papers on modulation and allied subjects and is a world authority on forward-area communications.

Mr. Fisher has a well known collection of Kipling first editions.

March, 1968

SIDNEY T. FISHER
Vice-President
Radio Engineering Products Limited
5780 Decelles Avenue
Montreal, P. Q. (514) 731-3251

BIOGRAPHICAL DATA:

Sidney T. Fisher holds a Bachelor of Applied Science degree in Electrical Engineering (Communications) from the University of Toronto. He was awarded an honorary Doctor of Laws degree in 1966 from McGill University.

Mr. Fisher's early experience in radio and electronics communications began with Northern Electric Co. in 1928. During World War II, he was responsible for developing radio equipment for the Canadian-made Lancaster and Mosquito bombers, before becoming vice-president of Rogers Electronic Tubes.

In 1946, Sidney Fisher and his brother, Charles, established Radio Engineering Products in Montreal. Since that time, the company has grown both financially and physically, and now employs approximately 1250 people between its research and technical staff in Montreal and its manufacturing facility in Atholville, New Brunswick.

Mr. Fisher is the author of a number of engineering papers and has several issued patents.

His library contains one of the largest private collections of early Shakespeare editions, and he has a well known collection of the etchings of Wencelaus Hollar.

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RADIO ENGINEERING PRODUCTS LIMITED
ANNUAL GENERAL MEETING OF SHAREHOLDERS

DECEMBER 21, 1968

INFORMATION CIRCULAR

Solicitation of Proxies

This information circular is furnished in connection with the solicitation by the management of RADIO ENGINEERING PRODUCTS LIMITED (the Company) of proxies to be used at the annual general meeting of shareholders of the Company to be held at the time and place and for the purposes set forth in the notice calling the above meeting. Solicitation of proxies will be by mail. The cost of solicitation by management will be borne by the Company.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Company. A shareholder desiring to appoint some other person to represent him at the meeting may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the Meeting.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction, such shares will be voted for the approval of the directors' report and financial statements, and the appointment of Collins, Love, Eddis, Valiquette & Co., Chartered Accountants, as auditors of the Company, and for the election as directors of the persons designated in this Information Circular as nominees for such office, the whole as stated under those headings in the notice calling the meeting. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendment, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.



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Voting Shares

On the 5th day of December, 1968, the Company had outstanding 2,000,000 common shares without nominal or par value, each carrying the right to one vote per share, so that the aggregate number of votes attaching to all the outstanding shares is 2,000,000. The directors and senior officers of the Company do not know of any person or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company, except as follows:

C. B. & S. T. Fisher Limited 1,499,993 shares.

Shareholders who are registered as such as at the date of the meeting will be entitled to attend and vote thereat.

Election of Directors

The By-laws of the Company provide that the Board of Directors shall consist of seven directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the Board of Directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy may reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the By-laws.

The following table and the notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which they became directors of the Company, and the approximate number of shares of each class of the Company beneficially owned directly or indirectly by each of them, as December 25, 1968.

NAME	Became Director	Approximate Number of Common Shares
Charles Boddy Fisher President, Radio Engineering Products Limited	1946	1
Sidney Thomson Fisher Vice-President, Radio Engineering Products Limited	1946	1
Czeslaw John Millner Vice-President, Radio Engineering Products Limited	1966	1
John Howard Hawke President, Gairdner & Company Limited	1968	2,000

	<u>Became Director</u>	<u>number of common shares</u>
Gordon Crawford Watt Vice-President, Gairdner & Company Limited	1968	8200
Alfred Noodelman Controller, Radio Engineering Products Limited	1968	1
Ian Royden McDougall Director of Purchasing, Radio Engineering Products Limited	1968	151

Remuneration of Directors and Senior Officers

- (1) Aggregate direct remuneration paid by the Company and its subsidiaries during the 1968 fiscal year to the directors and senior officers of the Company. 95,500.00
- (2) Estimated aggregate cost to the Company and its subsidiaries during the 1968 fiscal year of all pension or retirement benefits proposed to be paid to the directors and senior officers of the Company under existing plans in the event of retirement at normal retirement age nil
- (3) Maximum annual aggregate of all retirement allowances proposed to be paid in the future by the Company or any of its subsidiaries, pursuant to existing arrangements, to directors or senior officers of the Company (excluding payments under plans referred to in paragraph (2) and payments to be made for or benefits to be received from group life or accident insurance, group hospitalization or similar group benefits or payments) nil
- (4) During the 1968 fiscal year directors and senior officers of the Company purchased common shares of the Company pursuant to stock options granted by the Company, as follows: nil

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Collins, Love, Eddis, Valiquette & Co., Chartered Accountants, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Messrs. Eddis & Associates, members of Collins, Love, Eddis, Valiquette & Co. have been auditors of the Company for more than five years.

By Order of the Board of Directors

Montreal, December 5, 1968.

C. B. Fisher
President

RADIO ENGINEERING PRODUCTS LIMITED

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Take notice that the annual general meeting of the shareholders of RADIO ENGINEERING PRODUCTS LIMITED will be held in the Blue Room of the Ritz Carlton Hotel in Montreal, Quebec, on Saturday, the 21st day of December 1968 at 10:30 o'clock in the forenoon, E.S.T., for the purpose of:

- (a) receiving and considering the annual report containing the financial statement made up of a statement of profit and loss, a statement of surplus and a balance sheet, together with the report of the auditors;
- (b) appointing auditors and authorizing the directors to fix their remuneration;
- (c) electing directors;
- (d) transacting such further or other business as may properly come before the meeting, or any adjournment thereof.

A copy of the said annual report, of an information circular and a form of proxy accompany this notice.

If you are not able to be present personally, kindly sign and return the form of proxy.

Dated at Montreal, P.Q. the 5th day of December, 1968.

By Order of the Board.

C. B. Fisher
President

P. O. Box 460 Snowdon, Montreal 248, Que. Tel. 731-3251.

RADIO ENGINEERING PRODUCTS LIMITED

PROXY

The undersigned, being a shareholder of Radio Engineering Products Limited hereby appoints C. B. FISHER, President, or failing him, S. T. FISHER, VICE-PRESIDENT or.....as proxy, with full power of substitution, to attend and vote for the undersigned at the Annual General Meeting of Shareholders to be held on Saturday, the 21st day of December, 1968, and at any adjournments thereof FOR (a) approval of the directors' report and financial statements for the fiscal year of the Company ended on the 30th day of June, 1968 (b);the appointment of auditors; (c) election of directors; and (d) such other business as may properly come before the meeting; hereby revoking any proxy previously given.

Date signed

Signature of Shareholder

(if this proxy is signed by a corporation, its corporate seal should be affixed)

THIS PROXY IS SOLICITED BY MANAGEMENT

Investor Relations Canada Limited
43 Eglinton Avenue East, Toronto 12, Ontario
Hilda Wilson, 481-4438

FOR IMMEDIATE RELEASE

On behalf of:

RADIO ENGINEERING PRODUCTS LIMITED
5780 Decelles Avenue, Montreal, P. Q.
C. B. Fisher, President, 731-3251

MONTREAL, May 13, 1968 -- Shares of RADIO ENGINEERING PRODUCTS LIMITED were today called for trading on the Montreal Stock Exchange.

The first trade was at \$24.50 per share, and the stock closed at \$26.25.

Radio Engineering Products Limited is the foremost supplier of Multiplex equipment to the military services of the United States, Sweden, Israel, Australia and other countries. The Multiplexer is a complicated, yet compact, piece of transistorized equipment that converts a radio channel into a multi-voice and multi-teleprinter channel for transmission of a number of voice and teleprinter communications simultaneously. This type of equipment is important in field communications where instant contact is essential between men on foot, vehicles, helicopters and fixed headquarters.

Sales to the company's year end (June 30, 1968) are expected to reach \$17 million compared with \$5 million for the prior year. The company is presently developing a variety of new products of advanced design.

Radio Engineering Products Limited became a public company in February 1968 with the issuance of 500,000 shares through Gairdner & Company Limited.

No securities commission or similar authority in Canada nor the Registrar General of Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

This prospectus is not, and under no circumstances is to be construed as, a public offering of any of these securities for sale in the United States of America or in the territories or possessions thereof.

Outstanding Issue

Radio Engineering Products Limited

(Incorporated under the laws of Canada)

500,000 Shares

(without nominal or par value)

The shares offered hereby are outstanding shares being purchased from the existing shareholders of the Company named on page 8 hereof under the sub-heading "Shareholders" and no part of the purchase price thereof will be received by the Company.

Prior to this offering, there has been no public market for the shares offered hereby. The price thereof was determined by agreement as referred to on page 6 hereof under the heading "Plan of Distribution".

An application has been made to list these shares on the Montreal Stock Exchange. Acceptance of listing by such Exchange will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

Transfer Agent and Registrar:
Canada Permanent Trust Company,
Saint John, Montreal, Toronto, Winnipeg, Calgary and Vancouver

	Price to Public	Underwriting Discount (2)	Proceeds to selling Security Holders (1)
Per share	\$7.50	\$0.50	\$7.00
Total	\$3,750,000	\$250,000	\$3,500,000

(1) Before deducting expenses estimated not to exceed approximately \$40,000, which are to be payable as to approximately \$20,000 by the Company and as to approximately \$20,000 by the selling Security Holders.

(2) Gairdner & Company Limited have received an option on 100,000 additional shares as described on pages 6 and 7 hereof under the heading "Plan of Distribution".

These securities are considered as speculative. Reference is made to page 4 of this prospectus under the heading "Sales and Markets".

We, as principals, offer these shares subject to prior sale and change in price, if, as and when received and accepted by us and subject to the approval of all legal matters on behalf of the Company by Messrs. Phillips, Vineberg, Goodman, Phillips & Rothman of Montreal, Quebec and on our behalf by Messrs. Blake, Cassels & Graydon of Toronto, Ontario.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive share certificates will be available for delivery in Saint John, Montreal, Toronto, Winnipeg, Calgary and Vancouver on or about March 28, 1968.

Gairdner & Company Limited

Box 53, Toronto-Dominion Centre

Toronto

Calgary	Charlottetown	Edmonton	Halifax	Hamilton	Hong Kong
Kingston	Kitchener	London	Moncton	Montreal	New York
Ottawa	Quebec	St. Catharines	Vancouver	Windsor	Winnipeg

February 22, 1968

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The Company

Radio Engineering Products Limited (hereinafter called the "Company") was incorporated under the laws of Canada by Letters Patent dated March 11, 1946. By Supplementary Letters Patent dated November 24, 1950 and January 15, 1968, the Company's authorized capital was changed to 3,000,000 shares without nominal or par value (hereinafter called the "shares"), of which 2,000,000 shares are presently outstanding as fully paid and non-assessable. The head office and manufacturing facilities of the Company are located at Atholville, New Brunswick. The post office address is Campbellton, New Brunswick. The Company maintains offices and research and development facilities at 5780 Decelles Avenue, Montreal 26, Quebec.

The Company owns all the outstanding shares of REP Communications Equipment Inc. (hereinafter called "REP"), a company incorporated under the laws of the District of Columbia, in the United States of America, and Radio Engineering Products Europe Aktiebolag (hereinafter called "REP Europe"), a company incorporated under the laws of Sweden.

Business of the Company

Background and Current Operations

During its early years the Company was mainly engaged in the manufacture and installation of radio links which permitted telephone service in remote areas of Canada not supplied with long-distance telephone lines. The experience gained showed that the lack of proven, efficient multiplex equipment was a serious detriment to radio link operations.

Consequently, the Company decided to emphasize the research into and the development and manufacture of improved multiplex equipment. For a number of years the Company concentrated on engineering and manufacturing commercial multiplex equipment for Canadian telegraph and telephone companies. It was then decided to use the Company's experience and skills on more specialized government and military aspects of the electronic communications field, with the main emphasis still being placed on multiplex equipment. As a result, the Company secured a number of NATO orders for elaborate mobile communications centers in Europe and Asia. It also installed an early missile tracking system at Cape Canaveral (now Cape Kennedy) in the U.S.A. A variety of communications equipment, mainly of the Company's own design, was produced for the armed services of the U.S.A., Canada, Sweden, Australia and Israel, as well as for various NATO commands.

In the early 1960's the Company commenced a vigorous engineering and sales program on a new 4-channel multiplexer designed by it for military use. The program was highly successful and today this basic multiplexer, together with numerous optional accessories, constitutes the Company's main product line. First sales of the new equipment were made in 1966. Both multiplexer and accessory equipment have been approved for use by the military forces of the U.S.A., Sweden, Israel, Australia, India and New Zealand. Substantial orders are on hand, production is being increased and development engineering expenditures on the multiplexer are virtually complete. Large sums expended on its development in prior years are expected to be recovered in future, in addition to the normal profit from equipment sales.

A multiplexer is a type of equipment which permits a number of voice and teleprinter channels to be carried over a single radio path originally designed to carry only one conversation. The basic system employed is known as "frequency-division modulation". The multiplexer permits all telephones and teleprinters installed in the system to be used simultaneously with no interference whatever between them. In defence applications, in addition to other stringent requirements, a multiplexer must be highly adaptable to rapidly changing conditions, rugged in construction and of light weight so that it is readily portable and speedily installed in new locations.

The Company's multiplex equipment provides a degree of flexibility and reliability of operation under field conditions not previously known in this type of equipment. Independent field trials conducted by military authorities in the U.S.A. have shown it to be greatly superior to other similar types of

equipment currently available. The design of the multiplexer is solid state, using transistors throughout in place of vacuum tubes. Design of all components has been scaled to solid-state dimensions and characteristics. Discrete circuits are used because it is essential to meet the severe requirements of reliability. Because it is small and light, the basic multiplexer can be man-packed if required. It can also be installed in vehicles, aircraft and buildings. It is so designed that two or more multiplexers can be combined to operate as one unit, thus increasing the number of voice channels and teleprinter circuits which can be operated simultaneously over one radio path. A wide range of accessories permits its use with many different types of radio equipment and different kinds of teleprinter machines as well as with European power sources and standards of transmission.

In addition to multiplex equipment of its own design the Company manufactures field telephone sets for the armed services of the U.S.A. and other countries. The Company believes that it is the principal producer of this item. These telephone sets are manufactured in accordance with a U.S. Government design on a royalty-free basis and are used by the U.S.A., Canada, Australia, Israel and many other countries. Orders are obtained through competitive bidding and provide for a satisfactory margin of profit. The Company is currently planning to increase its production of field telephone sets.

The Company also manufactures other electronic communications equipment, including field cable and connector assemblies, antennas, masts and amplifiers. Of these the cable and connector assembly offers the largest market potential to the Company.

Sales and Markets

At the present time and for the past seven years, sales by the Company have been almost exclusively made to the defence market. Of the firm sales contracts which the Company has yet to complete, or on which it has not yet received final payment, approximately 90% of the dollar volume represents sales made to the armed forces of the U.S.A.

In accordance with defence sharing agreements between Canada and the U.S.A. the Company makes the majority of such sales through Canadian Commercial Corporation ("CCC"), a crown corporation of the Government of Canada. CCC contracts on hand provide for recovery by the Company of approved research and development costs relating to sales to the U.S.A. The sales prices of the products concerned are subject to the approval of CCC, which guarantees the Company's performance of sales contracts with the U.S.A. The sales prices of all Company products currently being manufactured have been approved by CCC.

Senior Company officials maintain continuous contact with both existing and potential customers and negotiate all sales contracts. Sales efforts are closely linked to the Company's research and development program. Through liaison with customers the Company can determine approximately the size and availability of markets for new and improved communications equipment. If indications are sufficiently encouraging a research program is commenced. Throughout the research phase Company officials and designers work closely with customer representatives. Because of the nature of the demand, cost of the resulting product to the customer can be secondary to performance and reliability.

The military application of multiplex equipment demands a very high standard of performance, rugged construction, light weight and compact size. The Company's equipment has all these qualities and the Company knows of no other equipment suitable to replace its units being produced or developed.

While Company sales to the industrial communications market are now relatively minor, the Company continues to watch this field closely. In the opinion of management this market is growing both in size and profitability and could, after a suitable development period, be re-entered by the Company.

The Company's Swedish subsidiary, REP Europe, has been in operation for a short time only. It was incorporated in 1966 and to date it has not made a contribution to Company earnings. However, in the opinion of management, it will become an increasingly important factor in expanding and diversifying sales of Company products.

As at October 31, 1967 the Company was working on firm contracts totalling approximately \$23,100,000 of which approximately \$20,300,000 represents sales made or to be made to the armed services of the U.S.A. Of the total amount of such contracts, approximately \$13,000,000 remained to be manufactured, shipped and billed by it, all in accordance with designated procedures for progress billings and/or shipment of finished goods. The Company expects to recover during the next two years approximately \$2,567,000 in connection with preproduction engineering costs previously incurred by it. Most of this amount is included in the firm contracts on hand. Subsequent to October 31, 1967, the Company received additional orders amounting to some \$10,000,000 and other substantial orders are under negotiation.

Method of Billing

Under the terms of its contracts with CCC, the Company may, at its option, submit progress billings for partial recovery of approved costs incurred on partially manufactured goods. The Company follows the practice of recording such progress billings as sales. The progress billings do not include any element of profit; the profit margins are taken into account only when actual shipment of goods takes place.

A typical contract takes approximately one year or more to complete. During the early stages of the contract, goods are not usually shipped and progress billings only are issued. In the latter part of the contract, physical shipment of goods takes place and the profit margins are taken into account.

During the four months ended October 31, 1967 the Company recorded sales of approximately \$3,200,000. Of this amount, only some \$700,000 represents actual shipment of goods and \$372,000 is a recovery of preproduction engineering costs. The balance of approximately \$2,128,000 represents progress billings related to goods which will be shipped and for which the profit margins will be taken into account during the latter part of the fiscal year.

Subsidiaries

At the present time REP is inactive. REP Europe maintains offices and has a resident manager located in Stockholm, Sweden. REP Europe is the sales agent in Europe for Company products and it also services Company products purchased by European customers. REP or REP Europe may commence manufacturing if conditions warrant.

Research and Development

The Company carries on continuous programs of research and development in the field of electronic communications with emphasis on engineering and design for product development. It does not carry on scientific research nor does it begin a phase of research and development which is not planned to produce substantial sales within three years.

The Company has a strong research and development department whose personnel have extensive experience in the design of sophisticated communications equipment. The group includes communications systems designers, mechanical designers, electrical circuit and apparatus designers, production engineers and specialists in field trials and customer liaison.

The present research and development programs may be divided into two broad categories—those which are expected to be completed in less than one year and those which may continue for up to three years. Both categories are aimed at the development of products for which, in the Company's opinion, substantial markets exist or may develop. One program, expected to be completed in about six months, has already resulted in field trials of the product concerned by military authorities of the U.S.A. The Company understands that the field trials indicated the product's performance to be considerably superior to that of presently available equipment.

As well as the design of new products, the research and development department continues the design of additional accessories for use with the Company's established basic multiplex units.

Manufacturing Facilities and Staff

The Company's manufacturing facilities are located at Atholville, near Campbellton, New Brunswick. The plant was built to Company specifications at the cost of, and is leased from, the Province of New Brunswick. The lease is for a period of twenty-one years commencing December 1, 1963 and the Company has a right to purchase the land and plant upon terms to be negotiated.

The plant consists of a single-storey building of concrete and steel construction, containing an area of approximately 55,000 square feet. Heating, plumbing and power installations were designed to provide for expansion as required. There are sprinkler facilities for fire protection. The plant site is approximately 22.5 acres which allows ample room for increasing the size of the plant. The area is served by good road, rail and deep-water shipping facilities.

Plant layout includes eight principal manufacturing departments. Since care, precision and freedom from errors are of prime importance in the Company's manufacturing processes, the whole plant was designed, and is maintained, with special attention to cleanliness, lighting and adequate work space. The wide variety of plant equipment, much of which is highly specialized, is modern and in excellent condition.

At the present time the Company employs about 1,000 people in the plant of whom approximately 900 are female. Manufacturing output is rising and plant employment is expected to increase to 1,100 during the current fiscal year. This increased staff can be accommodated without enlarging the plant. The area in which the plant is located provides an abundant supply of labour. The Company has experienced no difficulty in recruiting manufacturing personnel and anticipates no problems in obtaining additional staff as required. All plant employees, with the exception of supervisory help, office staff and watchmen are unionized under an agreement continuing until December 3, 1969. Labour relations since the plant opened have always been excellent. Staff training is strongly emphasized and this policy has proven to be very beneficial in terms of the high quality of work performed and the development of the skills of the working force.

The Company's offices and research and development facilities in Montreal are located in leased premises of approximately 12,000 square feet. They include a fully equipped laboratory suitable for the design and testing of products and an engineering model shop where prototypes are produced.

Founders and Senior Management

Messrs. Charles B. Fisher and Sidney T. Fisher took part in the formation and organization of the Company in 1946 and may accordingly be considered as the founders or promoters of the Company. Management of the Company is headed by the Messrs. Fisher, who are both electrical engineers specializing in the field of communications. They have had extensive experience in the research, development and production of a wide range of communications equipment. They have published numerous engineering papers and have many inventions in the field of electronic communications to their credit.

Mr. Charles B. Fisher is primarily responsible for the Company's manufacturing and administrative functions while Mr. Sidney T. Fisher is responsible for the Company's sales program and liaison with customers. Both participate actively in the extensive research and development which is continuously carried on by the Company.

Production, research, engineering and administrative functions are carried on by a competent, highly trained staff of senior personnel. Company policy is formulated and administered by a management committee which includes the Messrs. Fisher and seven other Company executives. Members of the management committee, excluding the Messrs. Fisher, participate in the incentive bonus arrangements described in items (3) and (4) on page 10 hereof under the heading "Material Contracts".

Plan of Distribution

Under a letter agreement with Gairdner & Company Limited dated January 26, 1968, to which the Company is a party, Messrs. Charles B. Fisher and Sidney T. Fisher and C. B. & S. T. Fisher Ltd. have agreed to sell and Gairdner & Company Limited has agreed to purchase, subject to the terms and conditions set out in the said agreement, the shares offered hereby at an aggregate price of \$3,500,000 payable in cash against delivery of such shares and by such agreement Gairdner & Company Limited agreed to offer such shares to the public at the price of \$7.50 per share. The price of the shares offered

hereby was established by negotiation between the parties to the said agreement. Pursuant to the same agreement, C. B. & S. T. Fisher Ltd., has agreed to grant Gairdner & Company Limited an option, at the time of and for a period of three years from the date of purchase of the shares offered hereby, to purchase a further 100,000 shares of the Company at a price of \$7.50 per share.

Use of Proceeds

The shares being offered by this prospectus are being purchased from three existing shareholders of the Company, as referred to on page 8 hereof under the sub-heading "Shareholders", and as a result the proceeds from the sale of such shares will not be received by the Company.

Capitalization

<u>Security</u>	<u>Authorized</u>	<u>Outstanding as at Oct. 31, 1967</u>	<u>Outstanding as at Jan. 17, 1968</u>	<u>Outstanding on completion of this financing</u>
Secured bank loan (1)	\$ 800,000	\$ 299,631	\$ 160,521	\$ 160,521
Guaranteed bank loan (1)	\$1,865,000	\$1,865,000	\$1,865,000	\$1,865,000
Deferred loans from shareholders (2) . . .	—	\$ 206,533	\$ 206,533	\$ 206,533
5% preferred shares of the par value of \$100 each (3)	5,000 shs	2,675 shs (\$267,500)	nil	nil
Ordinary shares of the par value of \$100 each (4)	500 shs	311 shs (\$31,100)	nil	nil
Shares without nominal or par value	3,000,000 shs	nil	2,000,000 shs (\$298,600)	2,000,000 shs (\$298,600)

NOTES:

- (1) The bank loans are secured by a general assignment of accounts receivable of the Company and by a general pledge of certain inventories of the Company. The guaranteed bank loan is guaranteed by the Province of New Brunswick (see Note 9 to the consolidated financial statements on page 15 hereof) and is deferred to the secured bank loan.
- (2) The major part of the deferred loans from shareholders represent salaries undrawn by Messrs. C. B. Fisher and S. T. Fisher in accordance with arrangements with the Company's banker and minor cash advances made by them to the Company. The deferred loans from shareholders are subordinated to the secured bank loan and the guaranteed bank loan. The Company does not regard these deferred loans from shareholders as permanent working capital.
- (3) Changed by Supplementary Letters Patent dated January 15, 1968 to 38,212 shares without nominal or par value.
- (4) Changed by Supplementary Letters Patent dated January 15, 1968 to 1,961,788 shares without nominal or par value.
- (5) The obligations of the Company with respect to leases of real property are set forth in Note 6 to the consolidated financial statements on page 15 hereof.
- (6) No additional substantial indebtedness is now proposed to be created or assumed by the Company or its subsidiaries.

Description of Shares

General

The capital of the Company consists solely of shares without nominal or par value. The shares are entitled to dividends as and when declared by the board of directors; are entitled to one vote per share; are entitled upon liquidation to receive pro rata such assets of the Company as are distributable to shareholders; and have no pre-emptive or conversion rights. The outstanding shares of the Company, including the shares hereby offered, are fully paid and non-assessable.

Dividends

The Company has not paid any dividends during its last five completed financial years ending on June 30, 1967. There are no stated restrictions on the payment of dividends on the shares without nominal or par value of the Company. The payment of dividends will ultimately be determined by the board of directors on the basis of earnings, financial requirements and other relevant factors.

Transfer Agent and Registrar

The transfer agent and registrar of the Company's shares without nominal or par value is Canada Permanent Trust Company at its transfer office in the cities of Saint John, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Shareholders and Management

Shareholders

To the knowledge of the Company, as of February 22, 1968, the following is the only shareholder of the Company who owns of record or beneficially, directly or indirectly, 10% or more of the outstanding shares without nominal or par value of the Company:

<u>Name and Address</u>	<u>Designation of class</u>	<u>Type of ownership</u>	<u>Number of shares owned</u>	<u>Percentage of class</u>
C. B. & S. T. Fisher Ltd. c/o Radio Engineering Products Limited, Atholville New Brunswick	Shares without nominal or par value	Beneficial and record	1,961,788	98.09%

Of record, as of February 22, 1968, Mr. Charles B. Fisher owned 18,041 shares, Mr. Sidney T. Fisher owned 20,171 shares, C. B. & S. T. Fisher Ltd. owned 1,961,783 shares of the Company and the remaining 5 shares were Directors' qualifying shares beneficially owned by C. B. & S. T. Fisher Ltd. Messrs. Charles B. Fisher and Sidney T. Fisher each own 50% of the equity of C. B. & S. T. Fisher Ltd. and therefore indirectly control respectively 999,935 (49.95%) and 1,001,065 (50.05%) shares of the Company.

As of February 22, 1968, the Directors and Senior Officers, as a group, beneficially owned, directly or indirectly, 38,212 shares of the Company, representing 1.91% of the outstanding shares.

The 500,000 shares offered by this prospectus are being purchased from Messrs. Charles B. Fisher (18,041) and Sidney T. Fisher (20,171) and C. B. & S. T. Fisher Ltd. (461,788). After giving effect to such purchase, C. B. & S. T. Fisher Ltd. will own beneficially and of record 1,500,000 shares and therefore Messrs. Charles B. Fisher and Sidney T. Fisher will each indirectly control 750,000 (37.5%) shares of the Company.

Directors and Officers

The names and home addresses in full of, all positions and offices held with the Company by and the principal occupations within the five preceding years of each of the directors and officers of the Company are set forth below:

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
CHARLES BODDY FISHER 2850 Hill Park Road Montreal 25, Quebec	<i>President and Director</i>	President of the Company
SIDNEY THOMSON FISHER 53 Morrison Avenue Town of Mount Royal, Quebec	<i>Vice-President, Secretary-Treasurer and Director</i>	Vice-President of the Company
CZESLAW JOHN MILLNER 4553 Michel Bibaud Street Montreal, Quebec	<i>Director</i>	Assistant to President of Company
JOHN HOWARD HAWKE 65 Douglas Drive Toronto 5, Ontario	<i>Director</i>	President, Gairdner & Company Limited
GORDON CRAWFORD WATT 125 Astoria Avenue Pointe Claire, Quebec	<i>Director</i>	Vice-President, Gairdner & Company Limited
ALFRED NOODELMAN 11784 Joseph Casavant Street Montreal 12, Quebec	<i>Director</i>	Comptroller of the Company
IAN ROYDEN MCDUGALL 3055 Sherbrooke Street West Montreal, Quebec	<i>Director</i>	Director of Purchasing of the Company

During the last five years, all of the directors and officers of the Company have been employed in the various capacities (or in other capacities with the same employer) indicated opposite their names under the heading "Principal Occupation" other than Alfred Noodelman, who was Comptroller of Soulanges Cartage & Equipment Company, Limited, Montreal, prior to his employment by the Company on April 6, 1967.

Escrowed Shares

<u>Designation of Class</u>	<u>Number of Shares Held in Escrow</u>	<u>Percentage of Class</u>
Shares without nominal or par value	1,500,000	75%

The said 1,500,000 shares without nominal or par value are held in escrow with Canada Permanent Trust Company pursuant to an Escrow Agreement to be dated March 15, 1968, providing for the release of 750,000 shares on the 30th day of June in each of the years 1968 and 1969 provided that the net earnings of the Company for the fiscal year ending on such dates is not less than \$1,000,000, provided that any shares not released in accordance with the foregoing terms shall only be released with the consent of the Ontario Securities Commission and the Quebec Securities Commission.

Remuneration

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the senior officers of the Company was \$147,000 during the last fiscal year of the Company ended on June 30, 1967 and was \$75,000 during the period commencing on July 1, 1967 and ended on December 31, 1967. No remuneration was paid to directors as such of the Company during either of the said periods.

No pension or retirement benefits are payable by the Company or its subsidiaries to the directors and senior officers of the Company except under applicable governmental pension plans.

The Company has entered into an incentive bonus agreement dated November 15, 1967 with one of its senior officers whereby such employee is entitled to a bonus based on shipments of multiplex terminals and accessories by the Company after September 1, 1967, such bonus to be at a fixed rate based on agreed unit prices for such equipment, all as set forth in the said agreement. The term of the agreement is September 1, 1967 to June 30, 1968. Although nothing has been paid to date under this agreement, it is estimated that the bonus payable under it will be approximately \$2,000 for the first four months ended December 31, 1967 and thereafter will depend upon the shipments of such equipment.

The Company has entered into an incentive bonus agreement dated November 15, 1967 with certain members of the management committee of the Company (other than Messrs. C. B. Fisher, S. T. Fisher and R. Henry) whereby such employees as a group are entitled to an aggregate bonus of ten percent of the Company's profits after taxes, to be shared between them as provided in the agreement. The first period covered by the agreement is October 23, 1967 to June 30, 1968 and nothing has been paid under it to date; future payments under the agreement will depend upon the Company's profits.

Management Interests

The only directors and senior officers of the Company and the only shareholder named in the table in the first paragraph on page 8 hereof under the sub-heading "Shareholders" and the only associates or affiliates of any of the foregoing persons or companies, having any material interest, direct or indirect, in any transaction with the Company or its subsidiaries within the three years prior to January 17, 1968, or in any proposed transaction with such companies, are as follows:

(1) Messrs. C. J. Millner, A. Noodelman and I. R. McDougall (who are directors of the Company) and Frank Herring of 7 Bellevue Crescent, Campbellton, N.B., are all members of the management committee of the Company, and, as such, are interested in the incentive bonus agreement dated November 15, 1967 referred to in item (4) on page 10 hereof under the heading "Material Contracts";

(2) Robert Henry of 618 Smart Avenue, Cote St. Luc, P.Q., is a senior officer of the Company and, as such, is interested in the incentive bonus agreement referred to in item (3) on page 10 hereof under the heading "Material Contracts";

(3) J. Howard Hawke is President and a shareholder of Gairdner & Company Limited, and, as such, is interested in the Underwriting Agreement referred to in item (2) on page 10 hereof under the heading "Material Contracts"; and

(4) Gordon C. Watt is a Vice-President and a shareholder of Gairdner & Company Limited and, as such, is interested in the Underwriting Agreement referred to in item (2) on page 10 hereof under the heading "Material Contracts".

Pending Legal Proceedings

The following are the only legal proceedings (either pending or known to the Company to be contemplated) material to the Company to which the Company or any of its subsidiaries is a party or to which any of their property is subject:

(1) An appeal dated June 5, 1965 to the Tax Appeal Board of Canada whereby the Company is appealing an assessment of the Minister of National Revenue for the fiscal year ended June 30, 1962, whereby the Minister treated as income of the Company a payment of \$450,000 to promote engineering research and development made by the Government of Canada, all as more particularly described in Note 5 to the consolidated financial statements on page 14 hereof; and

(2) An action commenced in 1967 in the United States Court of Claims by Canadian Commercial Corporation as plaintiff against The United States as defendant for \$500,000 U.S. and additional unspecified amounts for damages for misuse by the said defendant of the industrial property of the Company (including designs, drawings and other proprietary data and information). After payment of legal fees and disbursements, the Company will be entitled to the net damages, if any, obtained.

Material Contracts

During the two years prior to January 17, 1968, the Company entered into the following material contracts in addition to contracts in the ordinary course of business:

(1) Two leases with respect to its premises at 5780 Decelles Avenue, Montreal, as follows:

(i) a lease dated May 8th, 1967 between Ellendale Investment Corp. and Building Guaranty Ltd. as lessors and the Company as lessee, with respect to the fourth floor of the said property, such lease for a term of 60 months beginning August 1, 1967 and requiring monthly rental payments of \$3,466.67; and

(ii) a lease dated August 31, 1967 between the same parties with respect to part of the third floor of the said property for the same term at a monthly rental of \$197.50;

(2) The Underwriting Agreement dated January 26, 1968 entered into by the Company (among others) with Gairdner & Company Limited as referred to on page 6 hereof under the heading "Plan of Distribution";

(3) The incentive bonus agreement dated November 15, 1967 entered into by the Company with one of its senior officers referred to on page 9 hereof under the heading "Remuneration"; and

(4) The incentive bonus agreement dated November 15, 1967 entered into by the Company with six members of its management committee (other than Messrs. C. B. Fisher, S. T. Fisher and R. Henry) referred to on page 9 hereof under the heading "Remuneration".

Copies of the said contracts may be inspected during ordinary business hours at the head office of the Company, at Atholville, New Brunswick, or at the offices of the Company at 5780 Decelles Avenue, Montreal, Quebec, while the shares offered by this prospectus are in the course of primary distribution to the public and for a period of 30 days thereafter.

Purchaser's Statutory Rights of Withdrawal and Rescission

The Securities Act, 1967 (Alberta), The Securities Act, 1967 (Saskatchewan) and The Securities Act, 1966 (Ontario) provide, in effect, that where a security is offered to the public in the course of primary distribution,

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus and any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the aforesaid Acts for the complete text of the provisions under which the foregoing rights are conferred.

The attention of purchasers in the Province of British Columbia of any of the shares offered hereby is drawn to Sections 61 and 62 of the Securities Act, 1967 (British Columbia) which provide, in effect, that where a security is offered to the public in the course of primary distribution,

- (a) a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

Auditors

The auditors of the Company are Messrs. Collins, Love, Eddis, Valiquette & Co., Chartered Accountants, 110 Yonge Street, Toronto 1, Ontario.

Consolidated Balance Sheet and Profit and Loss Statement
as at October 31, 2019

The accompanying notes are an inte

PRODUCTS LIMITED
DIARIES

Pro forma Consolidated Balance Sheet
31, 1967

	Liabilities	
	Consolidated Balance Sheet	Pro forma Consolidated Balance Sheet (1)
CURRENT		
Bank loan—secured (9)	\$ 299,631	\$ 299,631
Accounts payable and accrued	1,286,961	1,286,961
Income taxes payable (5)	139,000	139,000
	<u>1,725,592</u>	<u>1,725,592</u>
DEFERRED		
Bank loan—secured and guaranteed (9)	1,865,000	1,865,000
Due to shareholders and directors	206,533	206,533
	<u>2,071,533</u>	<u>2,071,533</u>
CONTINGENT		
A contribution of \$522,000 repayable to the Canadian Government— See Note 7.		
CAPITAL AND SURPLUS		
Capital Stock		
Authorized:		
5,000—5% non-cumulative, redeemable preferred shares of \$100 each	\$500,000	
500—ordinary shares of \$100 each	<u>50,000</u>	
Issued and outstanding:		
2,675 preferred shares	267,500	
311 ordinary shares	<u>31,100</u>	
	<u>298,600</u>	
Capital Surplus		
Amount transferred from earned surplus upon redemption of preferred shares required by Section 61—Canada Corporations Act	25,600	
Earned Surplus	<u>2,071,797</u>	
	<u>2,097,397</u>	
Capital Stock (1)		
Authorized:		
3,000,000 shares without nominal or par value		
Issued and fully paid:		
2,000,000 shares		298,600
Earned Surplus		<u>2,097,397</u>
	<u>\$6,193,122</u>	<u>\$6,193,122</u>

part of these financial statements.

RADIO ENGINEERING PRODUCTS LIMITED AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Pro Forma Consolidated Balance Sheet

The pro forma consolidated balance sheet gives effect as at October 31, 1967 to the issue of Supplementary Letters Patent:

- (a) Changing the authorized capital of the Company from 5,000 5% non-cumulative, redeemable preferred shares of the par value of \$100 each and 500 ordinary shares of the par value of \$100 each to 3,000,000 shares without nominal or par value to be issued for an aggregate consideration not exceeding \$10,000,000, and changing the issued and outstanding 2,675 preferred shares and 311 ordinary shares to 2,000,000 shares without nominal or par value.
- (b) Transferring the capital surplus of \$25,600 arising from the prior redemption of preferred shares to the earned surplus account.

2. Principles of Consolidation and Foreign Exchange

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Radio Engineering Products Europe Aktiebolag and REP Communications Equipment Inc. Where accounts contain U.S. dollars they have been converted at 8% premium.

3. Fixed Assets

The fixed assets of the Company are carried at cost and as at October 31, 1967 were as follows:

	Cost	Accumulated Depreciation	Net
Land—employee housing	\$ 30,065	—	\$ 30,065
Plant, machinery and equipment	865,993	\$468,140	397,853
Office equipment	112,620	86,865	25,755
Automobiles and trucks	24,290	14,775	9,515
	<u>\$1,032,968</u>	<u>\$569,780</u>	<u>\$463,188</u>

Depreciation has been provided for at rates permitted by the Income Tax Act.

4. Deferred Assets

During the fiscal period ended June 30, 1963, the Company transferred its manufacturing equipment and supervisory personnel to Atholville, N.B. and in that year moving costs of \$64,812 were incurred and were set up as a deferred charge in the Company's accounts. The balance of this deferred charge, training expense of \$409,518, is composed of charges for the fiscal years 1963 to 1966 inclusive. Such charges were credited against factory costs and labour on the basis of the percentage by which the Company calculated the labour efficiency in Atholville, was below the labour efficiency of the Company's previous operation. In the opinion of Company management the labour efficiency is now the equivalent of the previous standard and therefore no amounts for training have been deferred since July 1, 1966.

Deferred engineering research and development is being amortized at 1½% of value of shipments of multiplex equipment and deferred moving and training at 2% of the value of shipments of all products, both of these amortizations being effective from July 1, 1966. Based on the 2% rate of write off and the current orders of approximately \$23,000,000 on hand, all deferred moving and training expense will be amortized during the two fiscal years ended on June 30, 1969.

If the deferred moving and training expense had been written off as incurred, the net earnings (losses) would have appeared as follows:

1963	\$(282,401)
1964	(550,433)
1965	163,396
1966	194,097
1967	977,267
1966—four months ended October 31	197,876
1967—four months ended October 31	158,863

5. *Income Taxes and Tax Reduction*

Taxes on income have been assessed up to June 30, 1962. A payment of \$450,000 to promote engineering research and development made by the Canadian Government was assessed in 1964 as income in respect of the year ended June 30, 1962, but the assessment is under appeal and in the opinion of the Company's tax advisers, the claim of the Minister of National Revenue is ill-founded and should be dismissed. No provision for income taxes on this item is included in these financial statements; however, if the assessment is upheld, the taxes and interest payable thereunder would amount to approximately \$290,000.

Income taxes otherwise payable have been reduced by claiming for tax purposes engineering research and development and moving and training expenditures in excess of the amounts charged in the accounts. This tax deferment is estimated at October 31, 1967 to be \$591,886, as shown below:

	Income tax deferred	Net Earnings or (loss) after provision for deferred income tax
1963.....	—	\$ 4,109
1964.....	—	(550,433)
1965.....	—	268,891
1966.....	96,886	177,535
1967.....	495,000	451,452
1967—four months ended October 31.....	—	144,850
	<u>\$591,886</u>	

6. *Long-Term Lease Commitments*

The Company has entered into leases as follows:

Campbellton—Factory property extending until December 1, 1984, amounting to \$707,570 at an annual rental of \$41,418 with an option to purchase at a price to be negotiated.

Montreal —Office premises extending until July 31, 1972, amounting to \$205,193 at an annual rental of \$43,970.

7. *Research and Development Agreement*

The Company has taken into income in the fiscal year ended June 30, 1967 a contribution of \$522,000 for research and development from the Canadian Government. This amount is repayable by way of a fee of \$522 per unit on future sales of multiplexers until 1,000 units have been sold.

8. *Preproduction and Development Engineering*

The Company has negotiated in its selling price structure for multiplexers a recovery of preproduction engineering amounting to \$4,200,000 at a minimum rate of \$1,261 per unit and a maximum rate of \$2,396 per unit as and when each unit is ordered up to a total of 3,000 before November 1, 1968. The Company is taking this engineering recovery into income upon receipt of orders.

In these financial statements a recovery of preproduction engineering at the minimum rate has been taken into revenue in the amounts of \$1,261,000 to June 30, 1967 and a further \$372,000 to October 31, 1967 and there remains \$2,567,000 to be recovered.

9. *Bank Loans*

The current and deferred bank loans are secured by a general assignment of accounts receivable and by a general pledge of certain inventories and are guaranteed by the shareholders of the Company in the amount of \$800,000. The deferred bank loan is also guaranteed to the extent of \$1,865,000 by the Province of New Brunswick until June 1974. As collateral security for its guarantee, the Province of New Brunswick holds a first mortgage on chattels owned by the Company and located in New Brunswick. Subsequent to October 31, 1967, the Company made new banking arrangements as explained on page 7 of the Company's prospectus (of which these financial statements are to form a part) under the heading "Capitalization".

**RADIO ENGINEERING PRODUCTS LIMITED
AND ITS SUBSIDIARIES**

**Consolidated Statement of Retained Earnings
for the five years and four months ended October 31, 1967**

	Four Months Ended October 31		Year Ended June 30				
	1967	1966 (unaudited)	1967	1966	1965	1964	1963
Retained earnings at beginning of period	1,887,583	941,131	941,131	666,710	397,819	983,764	979,655
Net earnings (loss) for period	144,850	189,781	946,452	274,421	268,891	(550,433)	4,109
Profit on sale of land and buildings at Granby, Quebec	39,364						
	<u>2,071,797</u>	<u>1,130,912</u>	<u>1,887,583</u>	<u>941,131</u>	<u>666,710</u>	<u>433,331</u>	<u>983,764</u>
Amount transferred to capital surplus upon redemption of preferred shares as required by Sec. 61 of the Canada Corporations Act						25,600	
Write-off of patent applications						9,912	
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>35,512</u>	<u>—</u>
Retained earnings at end of period	<u>\$2,071,797</u>	<u>\$1,130,912</u>	<u>\$1,887,583</u>	<u>\$941,131</u>	<u>\$666,710</u>	<u>\$397,819</u>	<u>\$983,764</u>

**Consolidated Statement of Net Income
for the five years and four months ended October 31, 1967**

	Four Months Ended October 31		Year Ended June 30				
	1967	1966 (unaudited)	1967	1966	1965	1964	1963
Sales, including progress claims (7 & 8)	3,214,734	1,003,403	5,074,660	2,644,325	2,945,894	4,315,428	4,512,346
Sundry revenue	6,645	7,164	22,623	74,813	17,841	11,053	13,146
	<u>3,221,379</u>	<u>1,010,567</u>	<u>5,097,283</u>	<u>2,719,138</u>	<u>2,963,735</u>	<u>4,326,481</u>	<u>4,525,492</u>
Earnings (loss) from operations before charges set out below	368,161	250,734	1,151,464	439,599	460,283	(322,474)	210,055
Depreciation	15,128	12,358	37,074	37,720	45,498	55,393	65,792
Amortization of deferred engineering	7,670		1,231				
Amortization of deferred moving and training	14,013	8,095	30,815				
Interest	47,500	40,500	135,892	127,458	145,894	172,566	140,154
	<u>84,311</u>	<u>60,953</u>	<u>205,012</u>	<u>165,178</u>	<u>191,392</u>	<u>227,959</u>	<u>205,946</u>
Earnings before taxes on income	283,850	189,781	946,452	274,421	268,891	(550,433)	4,109
Taxes on income	139,000						
Net earnings (loss)	<u>\$144,850</u>	<u>\$189,781</u>	<u>\$946,452</u>	<u>\$274,421</u>	<u>\$268,891</u>	<u>(\$550,433)</u>	<u>\$ 4,109</u>

RADIO ENGINEERING PRODUCTS LIMITED
AND ITS SUBSIDIARIES

Consolidated Statement of Source and Application of Funds
for the five years and four months ended October 31, 1967

	Four Months Ended		Year Ended June 30				
	October 31 1967	1966 (unaudited)	1967	1966	1965	1964	1963
SOURCE							
Net earnings	144,850	189,781	946,452	274,421	268,891	—	4,109
Depreciation	15,128	12,358	37,074	37,720	45,498	55,393	65,792
Amortization of deferred engineering . .	7,670	—	1,231	—	—	—	—
Amortization of deferred moving and training	14,013	8,095	30,815	—	—	—	—
Loans from shareholders	—	24,116	94,659	85,057	48,568	—	—
Collection of mortgages receivable	243	130	385	5,929	6,612	2,521	—
Sale of real estate	135,000	—	—	—	—	67,928	—
Bank loan (long term)	—	—	—	—	—	—	554,500
	<u>\$316,904</u>	<u>\$234,480</u>	<u>\$1,110,616</u>	<u>\$403,127</u>	<u>\$369,569</u>	<u>\$125,842</u>	<u>\$624,401</u>
APPLICATION							
Operating losses	—	—	—	—	—	550,433	—
Additions to fixed assets	71,139	303	50,025	14,221	17,378	45,359	130,520
Engineering deferred	—	—	—	145,034	127,358	226,717	220,533
Moving and training deferred	—	—	—	80,324	105,495	—	286,510
Repayment of shareholders' loans	21,751	—	—	—	—	37,096	16,774
Redemption of preferred shares	—	—	—	—	—	25,600	—
Advances to employees	—	—	—	—	—	—	19,540
Payments on mortgages payable	—	—	—	—	—	—	1,136
Repayment of bank loan (long term) . . .	135,000	—	—	—	—	—	—
Increase (decrease) in working capital . .	89,014	234,177	1,060,591	163,548	119,338	(759,363)	(50,612)
	<u>\$316,904</u>	<u>\$234,480</u>	<u>\$1,110,616</u>	<u>\$403,127</u>	<u>\$369,569</u>	<u>\$125,842</u>	<u>\$624,401</u>

Auditors' Report

To the Directors,
RADIO ENGINEERING PRODUCTS LIMITED.

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Radio Engineering Products Limited and its subsidiaries as at October 31, 1967 and the consolidated statements of net income, retained earnings and source and application of funds for the five years and four months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at October 31, 1967 and the results of their operations and the source and application of their funds for the five years and four months then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

We further report that, in our opinion, the accompanying pro forma consolidated balance sheet presents fairly the financial position of the companies as at October 31, 1967 after giving effect as at that date to the transactions described in Note 1 to the financial statements.

Toronto, Canada,
January 16, 1968.

(Signed) COLLINS, LOVE, EDDIS, VALIQUETTE & Co.
Chartered Accountants.

Additional Information

There are no material facts relating to the Company or any of its subsidiaries not disclosed in this prospectus.

Dated : February 22, 1968

Certificate of Company

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, by the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick), and there is no further material information applicable other than in the financial statements or reports where required or exigible.

On behalf of the Board of Directors

(Signed) C. B. FISHER
Chief Executive Officer

(Signed) C. B. FISHER
Director

(Signed) S. T. FISHER
Chief Financial Officer

(Signed) S. T. FISHER
Director

Directors

(Signed) C. B. FISHER

(Signed) I. R. McDUGALL

(Signed) S. T. FISHER

(Signed) G. C. WATT

(Signed) C. J. MILLNER

(Signed) A. NOODELMAN

(Signed) J. H. HAWKE

Certificate of Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, by the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick), and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and the adequacy of the foregoing.

GAIRDNER & COMPANY LIMITED

per: (Signed) E. A. LOVELACE

The following includes the names of all persons having an interest, directly or indirectly, to the extent of not less than 5% in the capital of Gairdner & Company Limited: J. S. Gairdner, J. H. Hawke, G. C. Watt, J. H. Brown, F. J. McDonald, A. T. Kenner, E. A. Scott, I. K. Ferguson, R. H. Smith.

AR36

Radio Engineering Products Limited

**Annual Report
1968**

Radio Engineering Products Limited

Annual Report 1968

directors:

C. B. FISHER, President, Radio Engineering Products Limited
S. T. FISHER, Vice-President, Radio Engineering Products Limited
C. J. MILLNER, Vice-President, Radio Engineering Products Limited
J. H. HAWKE, President, Gairdner & Company Limited
G. C. WATT, Vice-President, Gairdner & Company Limited
A. NOODELMAN, Controller, Radio Engineering Products Limited
I. R. McDOUGALL, Director of Purchasing, Radio Engineering Products Limited

officers:

C. B. FISHER, President
S. T. FISHER, Vice-President and Secretary-Treasurer
C. J. MILLNER, Vice-President

bankers:

THE TORONTO-DOMINION BANK

transfer agent and registrar:

CANADA PERMANENT TRUST COMPANY

auditors:

COLLINS, LOVE, EDDIS, VALIQUETTE & CO.

LISTED FOR TRADING ON THE MONTREAL STOCK EXCHANGE

Radio Engineering Products Limited

head office: Atholville, N.B.

executive offices: Montreal.

The Directors' Report to the Shareholders:

During the year ended June 30, 1968 the Company's sales increased to more than three times the previous year's total, and did so in an orderly and profitable manner. The extensive program of research and development started in earlier years was continued and expanded. This resulted in substantial improvement to the basic multiplexer, in the design of a number of new accessory units for the multiplexer, and in considerable progress in related units and in production and testing techniques. The cost of this program was entirely absorbed by the year's operations.

Manufacturing facilities were considerably improved by new equipment giving higher production speeds, greater precision and uniformity, and lower costs. New factory personnel was trained, and existing personnel was extensively re-trained, to maintain and improve our reputation for good workmanship and reliability. During the last 8 months of the fiscal year the number of employees at the factory at Atholville increased 2½ times, with a healthy give-and-take between the Company and its employees, old and new. This program of expansion and training was carried out rapidly but methodically and no costs incurred in it were deferred to subsequent years. Objectives of manufacturing cost control, quality, and on-time deliveries were met on all production lines. The year ended with an adequate margin for expansion of sales of existing products, and the introduction of new products.

A satisfactory volume of new orders was received during the year, and a very sound foundation for new orders was developed with the previous customers, as well as several important prospective users of our products.

Sales for the year ended June 30, 1968 were \$16,931,940, resulting in net earnings from operations of \$1,977,351 after provision for taxes of \$2,201,808.

For comparison, operations for the year ended June 30, 1967 resulted in sales of \$5,097,283 and net earnings of \$451,452 after deferred income tax of \$495,000.

Due to profit on multiplexer contracts during the fiscal year 1968 certain amounts paid to us in previous years on account of research and development costs became theoretically repayable, and therefore for accounting purposes the results for 1967 have been re-stated in this report.

Radio Engineering Products has just concluded an excellent year of progress and solid achievement. We are currently in a year which will continue to show substantial increases in sales and profits. To achieve success of this sort requires a strong and competent organization, and the directors wish especially to stress their appreciation of the vigorous and intelligent efforts made by the Company's employees in every phase of their activities, to improve the performance of all products, to gain acceptance of products on a world-wide basis, and to make them available in accordance with every user's needs. A notable example is a Citation in Appreciation of Meritorious Public Service, awarded by the Secretary of the United States Navy to one of our field engineers, Harold Robinson: "By his untiring efforts he was primarily responsible for the successful implementation and adoption of a new, highly-advanced tactical communications system."

An announcement was made on September 17, 1968 that agreement had been reached between shareholders holding 70% of the outstanding stock of Radio Engineering Products, and the management of Nytronics, Inc., for the sale of all their shares to Nytronics, for an initial payment of \$5 million and approximately 608,000 shares of Nytronics stock, with additional payments of approximately 1,200,000 shares of Nytronics stock over the next three years, based on progressive increases in Radio Engineering's earnings. These shareholders will continue as officers and directors of Radio Engineering, and will also contribute to the management of Nytronics.

Nytronics has also announced its intention to make an offer for all publicly-held stock of Radio Engineering, amounting to 600,000 shares, on the basis of 1.41 shares of Nytronics for each share of Radio Engineering, as soon as the necessary formalities can be complied with. The Board of Directors of Radio Engineering expects to recommend acceptance of this offer by the shareholders.

Nytronics, Inc. is a diversified electronics manufacturer of Alpha, N.J., and recently acquired a controlling interest in Eastern Air Devices Inc. Other acquisitions are being actively worked on.

Nytronics stock is listed on the American Stock Exchange, and it is planned to request listing on the Montreal and Toronto stock exchanges. The closing price of Nytronics on December 2, 1968 was 35 $\frac{7}{8}$ ¢. The intended offer of 1.41 shares of Nytronics for each share of Radio Engineering, with adjustment for exchange, is thus equivalent to a price for Radio Engineering of 54 $\frac{1}{2}$ ¢. The year end for Nytronics was July 31, 1968, and it is the intention of the management of Nytronics to mail their annual report to all shareholders of record of Radio Engineering as soon as it is available.

Your directors are keenly aware that change and progress are the basic elements in the electronic world of today. This world requires continuous adaptability and rapid response to varying conditions and new opportunities. Your board believes it has discharged this responsibility adequately and looks forward to greatly increased opportunities to expand our services to our customers, with profit and security for our shareholders.

Montreal, December 5, 1968

On behalf of the Board
C. B. FISHER, President

Radio Engineering Products Limited and its Subsidiaries

Consolidated Balance Sheet
as at June 30, 1968

ASSETS

	1968	1967 (Restated)
Current		
Cash	\$ 27,556	\$ 229,858
Accounts receivable, including \$14,635 due from directors (1968) and \$73,064 due from parent company (1968)	1,255,378	621,612
Progress claims receivable, including holdbacks (Canadian Commercial Corporation)	4,622,167	1,952,541
Duty refundable	76,444	72,745
Inventories (Note 2)	3,203,078	1,036,668
Prepaid expenses	9,632	15,677
	9,194,255	3,929,101
Other		
Mortgages receivable		20,128
Fixed		
Land, buildings, machinery and equipment, at cost	1,418,160	1,155,986
Less: Accumulated depreciation	735,833	653,173
	682,327	502,813
Deferred expenditures, less accumulated amortization		
Research and development	581,074	718,411
Moving and training	172,615	441,515
	753,689	1,159,926
	10,630,271	5,611,968

Approved on behalf of the Board

C. B. FISHER, Director

S. T. FISHER, Director

LIABILITIES

	1968	1967 (Restated)
Current		
Bank loan — secured (Note 3)	\$ 1,000,362	\$ 280,000
Accounts payable and accrued	2,423,435	1,935,901
Income taxes payable	1,797,552	
Income tax assessment under appeal, previously shown by way of note (Note 4)	305,000	290,000
	<u>5,526,349</u>	<u>2,505,901</u>
Deferred		
Bank loan — secured and guaranteed (Note 3)	1,865,000	2,000,000
Deferred income taxes (Note 4)	385,731	37,136
Due to directors		228,284
	<u>2,250,731</u>	<u>2,265,420</u>
Capital and Retained Earnings		
Capital stock (Note 8)		
Authorized:		
3,000,000 shares without nominal or par value		
Issued and fully paid:		
2,000,000 shares	298,600	298,600
Capital surplus from redemption of preferred shares		25,600
Retained earnings	2,554,591	516,447
	<u>2,853,191</u>	<u>840,647</u>
	<u>10,630,271</u>	<u>5,611,968</u>

The accompanying notes are an integral part of these financial statements.

Radio Engineering Products Limited and its Subsidiaries

Consolidated Statement of Earnings for the year
ended June 30, 1968

	1968	1967 (Restated)
Revenue (Note 7)	<u>\$16,931,940</u>	<u>\$4,492,099</u>
Costs and Expenses		
Manufacturing, engineering and administrative expenses	11,911,091	3,798,819
Remuneration of directors	95,500	147,000
Depreciation	181,180	37,074
Amortization of deferred research and development at 1½ % of value of multiplex shipments	137,337	1,231
Amortization of deferred moving and training at 2% of value of total shipments	268,900	30,815
Interest	158,773	135,892
	<u>12,752,781</u>	<u>4,150,831</u>
Earnings before taxes on income	<u>4,179,159</u>	<u>341,268</u>
Provision for income taxes		
Current	1,853,213	15,000
Deferred (Note 4)	348,595	169,135
	<u>2,201,808</u>	<u>184,135</u>
Net earnings from operations	<u>1,977,351</u>	<u>157,133</u>
Profit on sale of land and buildings at Granby, Quebec	39,364	
Earnings for year	<u><u>2,016,715</u></u>	<u><u>157,133</u></u>

Consolidated Statement of Retained Earnings for the year ended June 30, 1968

	1968	1967
Retained earnings		
Balance at beginning of year as previously reported	\$1,887,583	\$941,131
Adjustments (Note 4)		
Research and development contribution deleted from 1967 sales	605,184	
Research and development contribution deleted from prior years' sales	438,816	438,816
Deferred income taxes — 1967	184,135	
Deferred income taxes — prior to July 1, 1967	(131,999)	(131,999)
Provision for income taxes on assessment under appeal	275,000	275,000
Retained earnings as restated	516,447	359,314
Earnings for year	2,016,715	157,133
Transfer from capital surplus in accordance with Supplementary Letters Patent (Note 8)	25,600	
Cost of obtaining Supplementary Letters Patent	(4,171)	
Retained earnings		
Balance at end of year	2,554,591	516,447

Consolidated Statement of Source and Application of Funds for the year ended June 30, 1968

	1968	1967 (Restated)
Source of Funds		
Earnings for year	\$2,016,715	\$ 157,133
Charges against earnings for year not involving a current expenditure of funds		
Depreciation	181,180	37,074
Amortization of deferred research and development	137,337	1,231
Amortization of deferred moving and training	268,900	30,815
Provision for deferred income taxes	348,595	169,135
Funds from operations	2,952,727	395,388
Realization of land and buildings	95,636	
Realization of mortgages receivable	20,128	385
Loans from shareholders		94,659
	3,068,491	490,432
Application of Funds		
Additions to fixed assets	456,330	50,025
Reduction of deferred bank loan	135,000	
Repayment of shareholders' loans	228,284	
Cost of obtaining Supplementary Letters Patent	4,171	
	823,785	50,025
Increase in working capital	2,244,706	440,407
Working capital at beginning of year	1,423,200	982,793
Working capital at end of year	3,667,906	1,423,200

Notes to Consolidated Financial Statements as at June 30th, 1968

1. Principles of Consolidation and Foreign Exchange.

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Radio Engineering Products Europe Aktiebolag and REP Communications Equipment Inc. Where accounts contain U.S. dollars they have been converted at 8% premium.

2. Inventories.

Due to the greatly increased volume of work in process, the company adopted the percentage of completion method, whereby estimated profits are taken up as the work is performed. In the opinion of management, the adoption of the percentage of completion method in 1968 does not affect the comparability of the current financial statements and those of the preceding year, since circumstances which prevailed in prior years did not justify taking up any percentage of profits in those years. Where the estimate of total contract costs indicates a loss, provision has been made for the total loss anticipated. In prior years the company recognized profits in its accounts only upon completion and delivery of finished goods.

In accordance with this accounting procedure, Government contracts in process at June 30th, 1968, are stated at cost plus estimated profits but not in excess of realizable value. Other inventories are stated at the lower of cost or market (net realizable value):

	<u>1968</u>	<u>1967</u>
Government contracts in process	\$8,078,836	\$2,547,468
Other inventories	1,166,751	824,082
	9,245,587	3,371,550
Less: Progress billings	6,042,509	2,334,882
	<u>3,203,078</u>	<u>1,036,668</u>

3. Bank Loans.

The current and deferred bank loans are secured by a general assignment of accounts receivable and by a general pledge of certain inventories. The deferred bank loan is also guaranteed to the extent of \$1,865,000 by the Province of New Brunswick until June, 1974. As collateral security for its guarantee the Province of New Brunswick holds a first mortgage on chattels owned by the company and located in New Brunswick.

4. Restatement of 1967 earnings.

(a) Research and Development Contribution.

In 1968, in addition to the contribution of \$522,000 repayable by way of royalty or fee, a further amount of \$522,000 became a liability due to profits obtained on multiplexer contracts. Both of these contributions have been set up in the accounts, but are chargeable to those prior years in which they were received. The 1967 financial statement has been re-stated accordingly by \$605,184, being the amount applicable thereto, the balance of \$438,816 being applicable to 1966 and 1965 fiscal years.

(b) **Income Taxes.**

Deferred income taxes:

For financial statements issued subsequent to December 31, 1967, as recommended by the Canadian Institute of Chartered Accountants, the company changed its method of accounting for deferred income taxes previously shown by way of note, and now shows deferred income taxes on the tax allocation basis, which relates the provision for income taxes to reported income for the year.

Assessment under appeal:

An income tax assessment previously shown by way of note is now shown as a liability and the retained earnings have been reduced accordingly. The assessment is under appeal, and in the opinion of the company's tax advisers the claim of the Minister of National Revenue is ill-founded and should be dismissed.

The effect of these changes on the net earnings for 1967 is shown below:

Net earnings for year ended June 30, 1967 as previously reported		\$946,452
Research and development contribution previously shown as revenue which has now become a liability	\$605,184	
Deferred income taxes	<u>184,135</u>	<u>789,319</u>
Net earnings for 1967 — restated		157,133

5. Long-term lease commitments.

The company has entered into leases as follows:

Campbellton — Factory property extending until December 1, 1984 amounting to \$679,946 at an annual rental of \$41,418 with an option to purchase at a price to be negotiated.

Montreal — Office premises extending until July 31, 1972 amounting to \$179,544 at an annual rental of \$43,970.

6. Government Contracts.

Sales are made under Government contracts in which the prices are subject to re-determination under the provisions of the Defence Production Act (Canada), however, it is the opinion of the Company that no adjustment to these contracts will be made. Accordingly no provision for any liability has been made in these financial statements in connection therewith.

7. Preproduction and development engineering.

During 1967 the company negotiated in its contracts for multiplexers a recovery of preproduction engineering, and has taken this recovery into income upon receipt of orders, in the fiscal years 1967 (\$1,261,000) and 1968 (\$2,570,000).

8. Supplementary Letters Patent.

The company received Supplementary Letters Patent dated January 15, 1968,

(a) Changing the authorized capital of the company from 5,000 — 5% non-cumulative, redeemable preferred shares of the par value of \$100 each and 500 ordinary shares of the par value of \$100 each to 3,000,000 shares without nominal or par value to be issued for an aggregate consideration not exceeding \$10,000,000, and changing the issued and outstanding 2,675 preferred shares and 311 ordinary shares to 2,000,000 shares without nominal or par value; and

(b) transferring the capital surplus of \$25,600 arising from the prior redemption of preferred shares to the earned surplus account.

Auditors' Report

To the Shareholders,

Radio Engineering Products Limited

We have examined the consolidated balance sheet of Radio Engineering Products Limited and its subsidiaries as at June 30, 1968 and the consolidated statements of earnings, retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at June 30, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the changes in accounting policies outlined in Note 4 to the financial statements.

Toronto, Canada

November 22, 1968.

COLLINS, LOVE, EDDIS, VALIQUETTE & CO.

Chartered Accountants.

file

No securities commission or similar authority in Canada nor the Registrar General of Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.
This prospectus is not, and under no circumstances is to be construed as, a public offering of any of these securities for sale in the United States of America or in the territories or possessions thereof.

Outstanding Issue

Radio Engineering Products Limited
(Incorporated under the laws of Canada)
500,000 Shares
(without nominal or par value)

The shares offered hereby are outstanding shares being purchased from the existing shareholders of the Company named on page 8 hereof under the sub-heading "Shareholders" and no part of the purchase price thereof will be received by the Company.

Prior to this offering, there has been no public market for the shares offered hereby. The price thereof was determined by agreement as referred to on page 6 hereof under the heading "Plan of Distribution".

An application has been made to list these shares on the Montreal Stock Exchange. Acceptance of listing by such Exchange will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

Transfer Agent and Registrar:
Canada Permanent Trust Company,
Saint John, Montreal, Toronto, Winnipeg, Calgary and Vancouver

	Price to Public	Underwriting Discount (2)	Proceeds to selling Security Holders (1)
Per share	\$7.50	\$0.50	\$7.00
Total	\$3,750,000	\$250,000	\$3,500,000

- (1) Before deducting expenses estimated not to exceed approximately \$40,000, which are to be payable as to approximately \$20,000 by the Company and as to approximately \$20,000 by the selling Security Holders.
(2) Gairdner & Company Limited have received an option on 100,000 additional shares as described on pages 6 and 7 hereof under the heading "Plan of Distribution".

These securities are considered as speculative. Reference is made to page 4 of this prospectus under the heading "Sales and Markets".

We, as principals, offer these shares subject to prior sale and change in price, if, as and when received and accepted by us and subject to the approval of all legal matters on behalf of the Company by Messrs. Phillips, Vineberg, Goodman, Phillips & Rothman of Montreal, Quebec and on our behalf by Messrs. Blake, Cassels & Graydon of Toronto, Ontario.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive share certificates will be available for delivery in Saint John, Montreal, Toronto, Winnipeg, Calgary and Vancouver on or about March 28, 1968.

Gairdner & Company Limited
Box 53, Toronto-Dominion Centre
Toronto

Calgary	Charlottetown	Edmonton	Halifax	Hamilton	Hong Kong
Kingston	Kitchener	London	Moncton	Montreal	New York
Ottawa	Quebec	St. Catharines	Vancouver	Windsor	Winnipeg

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The Company

Radio Engineering Products Limited (hereinafter called the "Company") was incorporated under the laws of Canada by Letters Patent dated March 11, 1946. By Supplementary Letters Patent dated November 24, 1950 and January 15, 1968, the Company's authorized capital was changed to 3,000,000 shares without nominal or par value (hereinafter called the "shares"), of which 2,000,000 shares are presently outstanding as fully paid and non-assessable. The head office and manufacturing facilities of the Company are located at Atholville, New Brunswick. The post office address is Campbellton, New Brunswick. The Company maintains offices and research and development facilities at 5780 Decelles Avenue, Montreal 26, Quebec.

The Company owns all the outstanding shares of REP Communications Equipment Inc. (hereinafter called "REP"), a company incorporated under the laws of the District of Columbia, in the United States of America, and Radio Engineering Products Europe Aktiebolag (hereinafter called "REP Europe"), a company incorporated under the laws of Sweden.

Business of the Company

Background and Current Operations

During its early years the Company was mainly engaged in the manufacture and installation of radio links which permitted telephone service in remote areas of Canada not supplied with long-distance telephone lines. The experience gained showed that the lack of proven, efficient multiplex equipment was a serious detriment to radio link operations.

Consequently, the Company decided to emphasize the research into and the development and manufacture of improved multiplex equipment. For a number of years the Company concentrated on engineering and manufacturing commercial multiplex equipment for Canadian telegraph and telephone companies. It was then decided to use the Company's experience and skills on more specialized government and military aspects of the electronic communications field, with the main emphasis still being placed on multiplex equipment. As a result, the Company secured a number of NATO orders for elaborate mobile communications centers in Europe and Asia. It also installed an early missile tracking system at Cape Canaveral (now Cape Kennedy) in the U.S.A. A variety of communications equipment, mainly of the Company's own design, was produced for the armed services of the U.S.A., Canada, Sweden, Australia and Israel, as well as for various NATO commands.

In the early 1960's the Company commenced a vigorous engineering and sales program on a new 4-channel multiplexer designed by it for military use. The program was highly successful and today this basic multiplexer, together with numerous optional accessories, constitutes the Company's main product line. First sales of the new equipment were made in 1966. Both multiplexer and accessory equipment have been approved for use by the military forces of the U.S.A., Sweden, Israel, Australia, India and New Zealand. Substantial orders are on hand, production is being increased and development engineering expenditures on the multiplexer are virtually complete. Large sums expended on its development in prior years are expected to be recovered in future, in addition to the normal profit from equipment sales.

A multiplexer is a type of equipment which permits a number of voice and teleprinter channels to be carried over a single radio path originally designed to carry only one conversation. The basic system employed is known as "frequency-division modulation". The multiplexer permits all telephones and teleprinters installed in the system to be used simultaneously with no interference whatever between them. In defence applications, in addition to other stringent requirements, a multiplexer must be highly adaptable to rapidly changing conditions, rugged in construction and of light weight so that it is readily portable and speedily installed in new locations.

The Company's multiplex equipment provides a degree of flexibility and reliability of operation under field conditions not previously known in this type of equipment. Independent field trials conducted by military authorities in the U.S.A. have shown it to be greatly superior to other similar types of

equipment currently available. The design of the multiplexer is solid state, using transistors throughout in place of vacuum tubes. Design of all components has been scaled to solid-state dimensions and characteristics. Discrete circuits are used because it is essential to meet the severe requirements of reliability. Because it is small and light, the basic multiplexer can be man-packed if required. It can also be installed in vehicles, aircraft and buildings. It is so designed that two or more multiplexers can be combined to operate as one unit, thus increasing the number of voice channels and teleprinter circuits which can be operated simultaneously over one radio path. A wide range of accessories permits its use with many different types of radio equipment and different kinds of teleprinter machines as well as with European power sources and standards of transmission.

In addition to multiplex equipment of its own design the Company manufactures field telephone sets for the armed services of the U.S.A. and other countries. The Company believes that it is the principal producer of this item. These telephone sets are manufactured in accordance with a U.S. Government design on a royalty-free basis and are used by the U.S.A., Canada, Australia, Israel and many other countries. Orders are obtained through competitive bidding and provide for a satisfactory margin of profit. The Company is currently planning to increase its production of field telephone sets.

The Company also manufactures other electronic communications equipment, including field cable and connector assemblies, antennas, masts and amplifiers. Of these the cable and connector assembly offers the largest market potential to the Company.

Sales and Markets

At the present time and for the past seven years, sales by the Company have been almost exclusively made to the defence market. Of the firm sales contracts which the Company has yet to complete, or on which it has not yet received final payment, approximately 90% of the dollar volume represents sales made to the armed forces of the U.S.A.

In accordance with defence sharing agreements between Canada and the U.S.A. the Company makes the majority of such sales through Canadian Commercial Corporation ("CCC"), a crown corporation of the Government of Canada. CCC contracts on hand provide for recovery by the Company of approved research and development costs relating to sales to the U.S.A. The sales prices of the products concerned are subject to the approval of CCC, which guarantees the Company's performance of sales contracts with the U.S.A. The sales prices of all Company products currently being manufactured have been approved by CCC.

Senior Company officials maintain continuous contact with both existing and potential customers and negotiate all sales contracts. Sales efforts are closely linked to the Company's research and development program. Through liaison with customers the Company can determine approximately the size and availability of markets for new and improved communications equipment. If indications are sufficiently encouraging a research program is commenced. Throughout the research phase Company officials and designers work closely with customer representatives. Because of the nature of the demand, cost of the resulting product to the customer can be secondary to performance and reliability.

The military application of multiplex equipment demands a very high standard of performance, rugged construction, light weight and compact size. The Company's equipment has all these qualities and the Company knows of no other equipment suitable to replace its units being produced or developed.

While Company sales to the industrial communications market are now relatively minor, the Company continues to watch this field closely. In the opinion of management this market is growing both in size and profitability and could, after a suitable development period, be re-entered by the Company.

The Company's Swedish subsidiary, REP Europe, has been in operation for a short time only. It was incorporated in 1966 and to date it has not made a contribution to Company earnings. However, in the opinion of management, it will become an increasingly important factor in expanding and diversifying sales of Company products.

As at October 31, 1967 the Company was working on firm contracts totalling approximately \$23,100,000 of which approximately \$20,300,000 represents sales made or to be made to the armed services of the U.S.A. Of the total amount of such contracts, approximately \$13,000,000 remained to be manufactured, shipped and billed by it, all in accordance with designated procedures for progress billings and/or shipment of finished goods. The Company expects to recover during the next two years approximately \$2,567,000 in connection with preproduction engineering costs previously incurred by it. Most of this amount is included in the firm contracts on hand. Subsequent to October 31, 1967, the Company received additional orders amounting to some \$10,000,000 and other substantial orders are under negotiation.

Method of Billing

Under the terms of its contracts with CCC, the Company may, at its option, submit progress billings for partial recovery of approved costs incurred on partially manufactured goods. The Company follows the practice of recording such progress billings as sales. The progress billings do not include any element of profit; the profit margins are taken into account only when actual shipment of goods takes place.

A typical contract takes approximately one year or more to complete. During the early stages of the contract, goods are not usually shipped and progress billings only are issued. In the latter part of the contract, physical shipment of goods takes place and the profit margins are taken into account.

During the four months ended October 31, 1967 the Company recorded sales of approximately \$3,200,000. Of this amount, only some \$700,000 represents actual shipment of goods and \$372,000 is a recovery of preproduction engineering costs. The balance of approximately \$2,128,000 represents progress billings related to goods which will be shipped and for which the profit margins will be taken into account during the latter part of the fiscal year.

Subsidiaries

At the present time REP is inactive. REP Europe maintains offices and has a resident manager located in Stockholm, Sweden. REP Europe is the sales agent in Europe for Company products and it also services Company products purchased by European customers. REP or REP Europe may commence manufacturing if conditions warrant.

Research and Development

The Company carries on continuous programs of research and development in the field of electronic communications with emphasis on engineering and design for product development. It does not carry on scientific research nor does it begin a phase of research and development which is not planned to produce substantial sales within three years.

The Company has a strong research and development department whose personnel have extensive experience in the design of sophisticated communications equipment. The group includes communications systems designers, mechanical designers, electrical circuit and apparatus designers, production engineers and specialists in field trials and customer liaison.

The present research and development programs may be divided into two broad categories—those which are expected to be completed in less than one year and those which may continue for up to three years. Both categories are aimed at the development of products for which, in the Company's opinion, substantial markets exist or may develop. One program, expected to be completed in about six months, has already resulted in field trials of the product concerned by military authorities of the U.S.A. The Company understands that the field trials indicated the product's performance to be considerably superior to that of presently available equipment.

As well as the design of new products, the research and development department continues the design of additional accessories for use with the Company's established basic multiplex units.

Manufacturing Facilities and Staff

The Company's manufacturing facilities are located at Atholville, near Campbellton, New Brunswick. The plant was built to Company specifications at the cost of, and is leased from, the Province of New Brunswick. The lease is for a period of twenty-one years commencing December 1, 1963 and the Company has a right to purchase the land and plant upon terms to be negotiated.

The plant consists of a single-storey building of concrete and steel construction, containing an area of approximately 55,000 square feet. Heating, plumbing and power installations were designed to provide for expansion as required. There are sprinkler facilities for fire protection. The plant site is approximately 22.5 acres which allows ample room for increasing the size of the plant. The area is served by good road, rail and deep-water shipping facilities.

Plant layout includes eight principal manufacturing departments. Since care, precision and freedom from errors are of prime importance in the Company's manufacturing processes, the whole plant was designed, and is maintained, with special attention to cleanliness, lighting and adequate work space. The wide variety of plant equipment, much of which is highly specialized, is modern and in excellent condition.

At the present time the Company employs about 1,000 people in the plant of whom approximately 900 are female. Manufacturing output is rising and plant employment is expected to increase to 1,100 during the current fiscal year. This increased staff can be accommodated without enlarging the plant. The area in which the plant is located provides an abundant supply of labour. The Company has experienced no difficulty in recruiting manufacturing personnel and anticipates no problems in obtaining additional staff as required. All plant employees, with the exception of supervisory help, office staff and watchmen are unionized under an agreement continuing until December 3, 1969. Labour relations since the plant opened have always been excellent. Staff training is strongly emphasized and this policy has proven to be very beneficial in terms of the high quality of work performed and the development of the skills of the working force.

The Company's offices and research and development facilities in Montreal are located in leased premises of approximately 12,000 square feet. They include a fully equipped laboratory suitable for the design and testing of products and an engineering model shop where prototypes are produced.

Founders and Senior Management

Messrs. Charles B. Fisher and Sidney T. Fisher took part in the formation and organization of the Company in 1946 and may accordingly be considered as the founders or promoters of the Company. Management of the Company is headed by the Messrs. Fisher, who are both electrical engineers specializing in the field of communications. They have had extensive experience in the research, development and production of a wide range of communications equipment. They have published numerous engineering papers and have many inventions in the field of electronic communications to their credit.

Mr. Charles B. Fisher is primarily responsible for the Company's manufacturing and administrative functions while Mr. Sidney T. Fisher is responsible for the Company's sales program and liaison with customers. Both participate actively in the extensive research and development which is continuously carried on by the Company.

Production, research, engineering and administrative functions are carried on by a competent, highly trained staff of senior personnel. Company policy is formulated and administered by a management committee which includes the Messrs. Fisher and seven other Company executives. Members of the management committee, excluding the Messrs. Fisher, participate in the incentive bonus arrangements described in items (3) and (4) on page 10 hereof under the heading "Material Contracts".

Plan of Distribution

Under a letter agreement with Gairdner & Company Limited dated January 26, 1968, to which the Company is a party, Messrs. Charles B. Fisher and Sidney T. Fisher and C. B. & S. T. Fisher Ltd. have agreed to sell and Gairdner & Company Limited has agreed to purchase, subject to the terms and conditions set out in the said agreement, the shares offered hereby at an aggregate price of \$3,500,000 payable in cash against delivery of such shares and by such agreement Gairdner & Company Limited agreed to offer such shares to the public at the price of \$7.50 per share. The price of the shares offered

hereby was established by negotiation between the parties to the said agreement. Pursuant to the same agreement, C. B. & S. T. Fisher Ltd., has agreed to grant Gairdner & Company Limited an option, at the time of and for a period of three years from the date of purchase of the shares offered hereby, to purchase a further 100,000 shares of the Company at a price of \$7.50 per share.

Use of Proceeds

The shares being offered by this prospectus are being purchased from three existing shareholders of the Company, as referred to on page 8 hereof under the sub-heading "Shareholders", and as a result the proceeds from the sale of such shares will not be received by the Company.

Capitalization

<u>Security</u>	<u>Authorized</u>	<u>Outstand- ing as at Oct. 31, 1967</u>	<u>Outstand- ing as at Jan. 17, 1968</u>	<u>Outstanding on complet- ion of this financing</u>
Secured bank loan (1)	\$ 800,000	\$ 299,631	\$ 160,521	\$ 160,521
Guaranteed bank loan (1)	\$1,865,000	\$1,865,000	\$1,865,000	\$1,865,000
Deferred loans from shareholders (2) . . .	—	\$ 206,533	\$ 206,533	\$ 206,533
5% preferred shares of the par value of \$100 each (3)	5,000 shs	2,675 shs (\$267,500)	nil	nil
Ordinary shares of the par value of \$100 each (4)	500 shs	311 shs (\$31,100)	nil	nil
Shares without nominal or par value	3,000,000 shs	nil	2,000,000 shs (\$298,600)	2,000,000 shs (\$298,600)

NOTES:

- (1) The bank loans are secured by a general assignment of accounts receivable of the Company and by a general pledge of certain inventories of the Company. The guaranteed bank loan is guaranteed by the Province of New Brunswick (see Note 9 to the consolidated financial statements on page 15 hereof) and is deferred to the secured bank loan.
- (2) The major part of the deferred loans from shareholders represent salaries undrawn by Messrs. C. B. Fisher and S. T. Fisher in accordance with arrangements with the Company's banker and minor cash advances made by them to the Company. The deferred loans from shareholders are subordinated to the secured bank loan and the guaranteed bank loan. The Company does not regard these deferred loans from shareholders as permanent working capital.
- (3) Changed by Supplementary Letters Patent dated January 15, 1968 to 38,212 shares without nominal or par value.
- (4) Changed by Supplementary Letters Patent dated January 15, 1968 to 1,961,788 shares without nominal or par value.
- (5) The obligations of the Company with respect to leases of real property are set forth in Note 6 to the consolidated financial statements on page 15 hereof.
- (6) No additional substantial indebtedness is now proposed to be created or assumed by the Company or its subsidiaries.

Description of Shares

General

The capital of the Company consists solely of shares without nominal or par value. The shares are entitled to dividends as and when declared by the board of directors; are entitled to one vote per share; are entitled upon liquidation to receive pro rata such assets of the Company as are distributable to shareholders; and have no pre-emptive or conversion rights. The outstanding shares of the Company, including the shares hereby offered, are fully paid and non-assessable.

Dividends

The Company has not paid any dividends during its last five completed financial years ending on June 30, 1967. There are no stated restrictions on the payment of dividends on the shares without nominal or par value of the Company. The payment of dividends will ultimately be determined by the board of directors on the basis of earnings, financial requirements and other relevant factors.

Transfer Agent and Registrar

The transfer agent and registrar of the Company's shares without nominal or par value is Canada Permanent Trust Company at its transfer office in the cities of Saint John, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Shareholders and Management

Shareholders

To the knowledge of the Company, as of February 22, 1968, the following is the only shareholder of the Company who owns of record or beneficially, directly or indirectly, 10% or more of the outstanding shares without nominal or par value of the Company:

<u>Name and Address</u>	<u>Designation of class</u>	<u>Type of ownership</u>	<u>Number of shares owned</u>	<u>Percentage of class</u>
C. B. & S. T. Fisher Ltd. c/o Radio Engineering Products Limited, Atholville New Brunswick	Shares without nominal or par value	Beneficial and record	1,961,788	98.09%

Of record, as of February 22, 1968, Mr. Charles B. Fisher owned 18,041 shares, Mr. Sidney T. Fisher owned 20,171 shares, C. B. & S. T. Fisher Ltd. owned 1,961,783 shares of the Company and the remaining 5 shares were Directors' qualifying shares beneficially owned by C. B. & S. T. Fisher Ltd. Messrs. Charles B. Fisher and Sidney T. Fisher each own 50% of the equity of C. B. & S. T. Fisher Ltd. and therefore indirectly control respectively 999,935 (49.95%) and 1,001,065 (50.05%) shares of the Company.

As of February 22, 1968, the Directors and Senior Officers, as a group, beneficially owned, directly or indirectly, 38,212 shares of the Company, representing 1.91% of the outstanding shares.

The 500,000 shares offered by this prospectus are being purchased from Messrs. Charles B. Fisher (18,041) and Sidney T. Fisher (20,171) and C. B. & S. T. Fisher Ltd. (461,788). After giving effect to such purchase, C. B. & S. T. Fisher Ltd. will own beneficially and of record 1,500,000 shares and therefore Messrs. Charles B. Fisher and Sidney T. Fisher will each indirectly control 750,000 (37.5%) shares of the Company.

Directors and Officers

The names and home addresses in full of, all positions and offices held with the Company by and the principal occupations within the five preceding years of each of the directors and officers of the Company are set forth below:

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
CHARLES BODDY FISHER 2850 Hill Park Road Montreal 25, Quebec	<i>President and Director</i>	President of the Company
SIDNEY THOMSON FISHER 53 Morrison Avenue Town of Mount Royal, Quebec	<i>Vice-President, Secretary-Treasurer and Director</i>	Vice-President of the Company
CZESLAW JOHN MILLNER 4553 Michel Bibaud Street Montreal, Quebec	<i>Director</i>	Assistant to President of Company
JOHN HOWARD HAWKE 65 Douglas Drive Toronto 5, Ontario	<i>Director</i>	President, Gairdner & Company Limited
GORDON CRAWFORD WATT 125 Astoria Avenue Pointe Claire, Quebec	<i>Director</i>	Vice-President, Gairdner & Company Limited
ALFRED NOODELMAN 11784 Joseph Casavant Street Montreal 12, Quebec	<i>Director</i>	Comptroller of the Company
IAN ROYDEN MCDUGALL 3055 Sherbrooke Street West Montreal, Quebec	<i>Director</i>	Director of Purchasing of the Company

During the last five years, all of the directors and officers of the Company have been employed in the various capacities (or in other capacities with the same employer) indicated opposite their names under the heading "Principal Occupation" other than Alfred Noodelman, who was Comptroller of Soulanges Cartage & Equipment Company, Limited, Montreal, prior to his employment by the Company on April 6, 1967.

Escrowed Shares

<u>Designation of Class</u>	<u>Number of Shares Held in Escrow</u>	<u>Percentage of Class</u>
Shares without nominal or par value	1,500,000	75%

The said 1,500,000 shares without nominal or par value are held in escrow with Canada Permanent Trust Company pursuant to an Escrow Agreement to be dated March 15, 1968, providing for the release of 750,000 shares on the 30th day of June in each of the years 1968 and 1969 provided that the net earnings of the Company for the fiscal year ending on such dates is not less than \$1,000,000, provided that any shares not released in accordance with the foregoing terms shall only be released with the consent of the Ontario Securities Commission and the Quebec Securities Commission.

Remuneration

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the senior officers of the Company was \$147,000 during the last fiscal year of the Company ended on June 30, 1967 and was \$75,000 during the period commencing on July 1, 1967 and ended on December 31, 1967. No remuneration was paid to directors as such of the Company during either of the said periods.

No pension or retirement benefits are payable by the Company or its subsidiaries to the directors and senior officers of the Company except under applicable governmental pension plans.

The Company has entered into an incentive bonus agreement dated November 15, 1967 with one of its senior officers whereby such employee is entitled to a bonus based on shipments of multiplex terminals and accessories by the Company after September 1, 1967, such bonus to be at a fixed rate based on agreed unit prices for such equipment, all as set forth in the said agreement. The term of the agreement is September 1, 1967 to June 30, 1968. Although nothing has been paid to date under this agreement, it is estimated that the bonus payable under it will be approximately \$2,000 for the first four months ended December 31, 1967 and thereafter will depend upon the shipments of such equipment.

The Company has entered into an incentive bonus agreement dated November 15, 1967 with certain members of the management committee of the Company (other than Messrs. C. B. Fisher, S. T. Fisher and R. Henry) whereby such employees as a group are entitled to an aggregate bonus of ten percent of the Company's profits after taxes, to be shared between them as provided in the agreement. The first period covered by the agreement is October 23, 1967 to June 30, 1968 and nothing has been paid under it to date; future payments under the agreement will depend upon the Company's profits.

Management Interests

The only directors and senior officers of the Company and the only shareholder named in the table in the first paragraph on page 8 hereof under the sub-heading "Shareholders" and the only associates or affiliates of any of the foregoing persons or companies, having any material interest, direct or indirect, in any transaction with the Company or its subsidiaries within the three years prior to January 17, 1968, or in any proposed transaction with such companies, are as follows:

(1) Messrs. C. J. Millner, A. Noodelman and I. R. McDougall (who are directors of the Company) and Frank Herring of 7 Bellevue Crescent, Campbellton, N.B., are all members of the management committee of the Company, and, as such, are interested in the incentive bonus agreement dated November 15, 1967 referred to in item (4) on page 10 hereof under the heading "Material Contracts";

(2) Robert Henry of 618 Smart Avenue, Cote St. Luc, P.Q., is a senior officer of the Company and, as such, is interested in the incentive bonus agreement referred to in item (3) on page 10 hereof under the heading "Material Contracts";

(3) J. Howard Hawke is President and a shareholder of Gairdner & Company Limited, and, as such, is interested in the Underwriting Agreement referred to in item (2) on page 10 hereof under the heading "Material Contracts"; and

(4) Gordon C. Watt is a Vice-President and a shareholder of Gairdner & Company Limited and, as such, is interested in the Underwriting Agreement referred to in item (2) on page 10 hereof under the heading "Material Contracts".

Pending Legal Proceedings

The following are the only legal proceedings (either pending or known to the Company to be contemplated) material to the Company to which the Company or any of its subsidiaries is a party or to which any of their property is subject:

(1) An appeal dated June 5, 1965 to the Tax Appeal Board of Canada whereby the Company is appealing an assessment of the Minister of National Revenue for the fiscal year ended June 30, 1962, whereby the Minister treated as income of the Company a payment of \$450,000 to promote engineering research and development made by the Government of Canada, all as more particularly described in Note 5 to the consolidated financial statements on page 14 hereof; and

(2) An action commenced in 1967 in the United States Court of Claims by Canadian Commercial Corporation as plaintiff against The United States as defendant for \$500,000 U.S. and additional unspecified amounts for damages for misuse by the said defendant of the industrial property of the Company (including designs, drawings and other proprietary data and information). After payment of legal fees and disbursements, the Company will be entitled to the net damages, if any, obtained.

Material Contracts

During the two years prior to January 17, 1968, the Company entered into the following material contracts in addition to contracts in the ordinary course of business:

(1) Two leases with respect to its premises at 5780 Decelles Avenue, Montreal, as follows:

(i) a lease dated May 8th, 1967 between Ellendale Investment Corp. and Building Guaranty Ltd. as lessors and the Company as lessee, with respect to the fourth floor of the said property, such lease for a term of 60 months beginning August 1, 1967 and requiring monthly rental payments of \$3,466.67; and

(ii) a lease dated August 31, 1967 between the same parties with respect to part of the third floor of the said property for the same term at a monthly rental of \$197.50;

(2) The Underwriting Agreement dated January 26, 1968 entered into by the Company (among others) with Gairdner & Company Limited as referred to on page 6 hereof under the heading "Plan of Distribution";

(3) The incentive bonus agreement dated November 15, 1967 entered into by the Company with one of its senior officers referred to on page 9 hereof under the heading "Remuneration"; and

(4) The incentive bonus agreement dated November 15, 1967 entered into by the Company with six members of its management committee (other than Messrs. C. B. Fisher, S. T. Fisher and R. Henry) referred to on page 9 hereof under the heading "Remuneration".

Copies of the said contracts may be inspected during ordinary business hours at the head office of the Company, at Atholville, New Brunswick, or at the offices of the Company at 5780 Decelles Avenue, Montreal, Quebec, while the shares offered by this prospectus are in the course of primary distribution to the public and for a period of 30 days thereafter.

Purchaser's Statutory Rights of Withdrawal and Rescission

The Securities Act, 1967 (Alberta), The Securities Act, 1967 (Saskatchewan) and The Securities Act, 1966 (Ontario) provide, in effect, that where a security is offered to the public in the course of primary distribution,

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus and any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the aforesaid Acts for the complete text of the provisions under which the foregoing rights are conferred.

The attention of purchasers in the Province of British Columbia of any of the shares offered hereby is drawn to Sections 61 and 62 of the Securities Act, 1967 (British Columbia) which provide, in effect, that where a security is offered to the public in the course of primary distribution,

- (a) a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

Auditors

The auditors of the Company are Messrs. Collins, Love, Eddis, Valiquette & Co., Chartered Accountants, 110 Yonge Street, Toronto 1, Ontario.

RADIO ENGINEERING
AND ITS SU

Consolidated Balance Sheet and Pro
as at Octob

Assets

	Consolidated Balance Sheet	Pro forma Consolidated Balance Sheet (1)
CURRENT		
Cash.....	\$ 147,288	\$ 147,288
Accounts receivable.....	114,470	114,470
Progress claims receivable (Canadian Commercial Corporation).....	2,599,639	2,599,639
Duty refundable.....	47,434	47,434
Inventories at lower of cost or market (net realizable value).....	1,648,672	1,648,672
Prepaid expenses.....	14,303	14,303
	<u>4,571,806</u>	<u>4,571,806</u>
OTHER		
Mortgages receivable.....	<u>19,885</u>	<u>19,885</u>
FIXED (3)		
Land, machinery and equipment, at cost.....	1,032,968	1,032,968
Less accumulated depreciation.....	<u>569,780</u>	<u>569,780</u>
	463,188	463,188
DEFERRED (4)		
Engineering research and development.....	719,642	719,642
Moving and training expense.....	<u>472,330</u>	<u>472,330</u>
	1,191,972	1,191,972
Less accumulated amortization.....	<u>53,729</u>	<u>53,729</u>
	<u>1,138,243</u>	<u>1,138,243</u>
	<u>\$6,193,122</u>	<u>\$6,193,122</u>

Approved on behalf of the Board,

(Signed) C. B. FISHER, *Director*

(Signed) S. T. FISHER, *Director*

The accompanying notes are an integral part of these financial statements.

**PRODUCTS LIMITED
SUBSIDIARIES**

**Pro forma Consolidated Balance Sheet
as at December 31, 1967**

	Liabilities	
	Consolidated Balance Sheet	Pro forma Consolidated Balance Sheet (1)
CURRENT		
Bank loan—secured (9)	\$ 299,631	\$ 299,631
Accounts payable and accrued	1,286,961	1,286,961
Income taxes payable (5)	139,000	139,000
	<u>1,725,592</u>	<u>1,725,592</u>
DEFERRED		
Bank loan—secured and guaranteed (9)	1,865,000	1,865,000
Due to shareholders and directors	206,533	206,533
	<u>2,071,533</u>	<u>2,071,533</u>
CONTINGENT		
A contribution of \$522,000 repayable to the Canadian Government— See Note 7.		
CAPITAL AND SURPLUS		
Capital Stock		
Authorized:		
5,000—5% non-cumulative, redeemable preferred shares of \$100 each	\$500,000	
500—ordinary shares of \$100 each	<u>50,000</u>	
Issued and outstanding:		
2,675 preferred shares	267,500	
311 ordinary shares	<u>31,100</u>	
	<u>298,600</u>	
Capital Surplus		
Amount transferred from earned surplus upon redemption of preferred shares required by Section 61—Canada Corporations Act	25,600	
Earned Surplus	<u>2,071,797</u>	
	<u>2,097,397</u>	
Capital Stock (1)		
Authorized:		
3,000,000 shares without nominal or par value		
Issued and fully paid:		
2,000,000 shares		298,600
Earned Surplus		<u>2,097,397</u>
	<u>\$6,193,122</u>	<u>\$6,193,122</u>

part of these financial statements.

RADIO ENGINEERING PRODUCTS LIMITED AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Pro Forma Consolidated Balance Sheet

The pro forma consolidated balance sheet gives effect as at October 31, 1967 to the issue of Supplementary Letters Patent:

- (a) Changing the authorized capital of the Company from 5,000 5% non-cumulative, redeemable preferred shares of the par value of \$100 each and 500 ordinary shares of the par value of \$100 each to 3,000,000 shares without nominal or par value to be issued for an aggregate consideration not exceeding \$10,000,000, and changing the issued and outstanding 2,675 preferred shares and 311 ordinary shares to 2,000,000 shares without nominal or par value.
- (b) Transferring the capital surplus of \$25,600 arising from the prior redemption of preferred shares to the earned surplus account.

2. Principles of Consolidation and Foreign Exchange

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Radio Engineering Products Europe Aktiebolag and REP Communications Equipment Inc. Where accounts contain U.S. dollars they have been converted at 8% premium.

3. Fixed Assets

The fixed assets of the Company are carried at cost and as at October 31, 1967 were as follows:

	Cost	Accumulated Depreciation	Net
Land—employee housing	\$ 30,065	—	\$ 30,065
Plant, machinery and equipment	865,993	\$468,140	397,853
Office equipment	112,620	86,865	25,755
Automobiles and trucks	24,290	14,775	9,515
	<u>\$1,032,968</u>	<u>\$569,780</u>	<u>\$463,188</u>

Depreciation has been provided for at rates permitted by the Income Tax Act.

4. Deferred Assets

During the fiscal period ended June 30, 1963, the Company transferred its manufacturing equipment and supervisory personnel to Atholville, N.B. and in that year moving costs of \$64,812 were incurred and were set up as a deferred charge in the Company's accounts. The balance of this deferred charge, training expense of \$409,518, is composed of charges for the fiscal years 1963 to 1966 inclusive. Such charges were credited against factory costs and labour on the basis of the percentage by which the Company calculated the labour efficiency in Atholville, was below the labour efficiency of the Company's previous operation. In the opinion of Company management the labour efficiency is now the equivalent of the previous standard and therefore no amounts for training have been deferred since July 1, 1966.

Deferred engineering research and development is being amortized at 1½% of value of shipments of multiplex equipment and deferred moving and training at 2% of the value of shipments of all products, both of these amortizations being effective from July 1, 1966. Based on the 2% rate of write off and the current orders of approximately \$23,000,000 on hand, all deferred moving and training expense will be amortized during the two fiscal years ended on June 30, 1969.

If the deferred moving and training expense had been written off as incurred, the net earnings (losses) would have appeared as follows:

1963	\$(282,401)
1964	(550,433)
1965	163,396
1966	194,097
1967	977,267
1966—four months ended October 31	197,876
1967—four months ended October 31	158,863

5. *Income Taxes and Tax Reduction*

Taxes on income have been assessed up to June 30, 1962. A payment of \$450,000 to promote engineering research and development made by the Canadian Government was assessed in 1964 as income in respect of the year ended June 30, 1962, but the assessment is under appeal and in the opinion of the Company's tax advisers, the claim of the Minister of National Revenue is ill-founded and should be dismissed. No provision for income taxes on this item is included in these financial statements; however, if the assessment is upheld, the taxes and interest payable thereunder would amount to approximately \$290,000.

Income taxes otherwise payable have been reduced by claiming for tax purposes engineering research and development and moving and training expenditures in excess of the amounts charged in the accounts. This tax deferment is estimated at October 31, 1967 to be \$591,886, as shown below:

	Income tax deferred	Net Earnings or (loss) after provision for deferred income tax
1963.....	—	\$ 4,109
1964.....	—	(550,433)
1965.....	—	268,891
1966.....	96,886	177,535
1967.....	495,000	451,452
1967—four months ended October 31.....	—	144,850
	<u>\$591,886</u>	

6. *Long-Term Lease Commitments*

The Company has entered into leases as follows:

Campbellton—Factory property extending until December 1, 1984, amounting to \$707,570 at an annual rental of \$41,418 with an option to purchase at a price to be negotiated.

Montreal —Office premises extending until July 31, 1972, amounting to \$205,193 at an annual rental of \$43,970.

7. *Research and Development Agreement*

The Company has taken into income in the fiscal year ended June 30, 1967 a contribution of \$522,000 for research and development from the Canadian Government. This amount is repayable by way of a fee of \$522 per unit on future sales of multiplexers until 1,000 units have been sold.

8. *Preproduction and Development Engineering*

The Company has negotiated in its selling price structure for multiplexers a recovery of preproduction engineering amounting to \$4,200,000 at a minimum rate of \$1,261 per unit and a maximum rate of \$2,396 per unit as and when each unit is ordered up to a total of 3,000 before November 1, 1968. The Company is taking this engineering recovery into income upon receipt of orders.

In these financial statements a recovery of preproduction engineering at the minimum rate has been taken into revenue in the amounts of \$1,261,000 to June 30, 1967 and a further \$372,000 to October 31, 1967 and there remains \$2,567,000 to be recovered.

9. *Bank Loans*

The current and deferred bank loans are secured by a general assignment of accounts receivable and by a general pledge of certain inventories and are guaranteed by the shareholders of the Company in the amount of \$800,000. The deferred bank loan is also guaranteed to the extent of \$1,865,000 by the Province of New Brunswick until June 1974. As collateral security for its guarantee, the Province of New Brunswick holds a first mortgage on chattels owned by the Company and located in New Brunswick. Subsequent to October 31, 1967, the Company made new banking arrangements as explained on page 7 of the Company's prospectus (of which these financial statements are to form a part) under the heading "Capitalization".

**RADIO ENGINEERING PRODUCTS LIMITED
AND ITS SUBSIDIARIES**

**Consolidated Statement of Retained Earnings
for the five years and four months ended October 31, 1967**

	Four Months Ended October 31		Year Ended June 30				
	1967	1966 (unaudited)	1967	1966	1965	1964	1963
Retained earnings at beginning of period	1,887,583	941,131	941,131	666,710	397,819	983,764	979,655
Net earnings (loss) for period	144,850	189,781	946,452	274,421	268,891	(550,433)	4,109
Profit on sale of land and buildings at Granby, Quebec	39,364						
	<u>2,071,797</u>	<u>1,130,912</u>	<u>1,887,583</u>	<u>941,131</u>	<u>666,710</u>	<u>433,331</u>	<u>983,764</u>
Amount transferred to capital surplus upon redemption of preferred shares as required by Sec. 61 of the Canada Corporations Act						25,600	
Write-off of patent applications						9,912	
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>35,512</u>	<u>—</u>
Retained earnings at end of period . .	<u>\$2,071,797</u>	<u>\$1,130,912</u>	<u>\$1,887,583</u>	<u>\$941,131</u>	<u>\$666,710</u>	<u>\$397,819</u>	<u>\$983,764</u>

**Consolidated Statement of Net Income
for the five years and four months ended October 31, 1967**

	Four Months Ended October 31		Year Ended June 30				
	1967	1966 (unaudited)	1967	1966	1965	1964	1963
Sales, including progress claims (7 & 8)	3,214,734	1,003,403	5,074,660	2,644,325	2,945,894	4,315,428	4,512,346
Sundry revenue	6,645	7,164	22,623	74,813	17,841	11,053	13,146
	<u>3,221,379</u>	<u>1,010,567</u>	<u>5,097,283</u>	<u>2,719,138</u>	<u>2,963,735</u>	<u>4,326,481</u>	<u>4,525,492</u>
Earnings (loss) from operations before charges set out below	368,161	250,734	1,151,464	439,599	460,283	(322,474)	210,055
Depreciation	15,128	12,358	37,074	37,720	45,498	55,393	65,792
Amortization of deferred engineering	7,670		1,231				
Amortization of deferred moving and training	14,013	8,095	30,815				
Interest	47,500	40,500	135,892	127,458	145,894	172,566	140,154
	<u>84,311</u>	<u>60,953</u>	<u>205,012</u>	<u>165,178</u>	<u>191,392</u>	<u>227,959</u>	<u>205,946</u>
Earnings before taxes on income . . .	283,850	189,781	946,452	274,421	268,891	(550,433)	4,109
Taxes on income	139,000						
Net earnings (loss)	<u>\$144,850</u>	<u>\$189,781</u>	<u>\$946,452</u>	<u>\$274,421</u>	<u>\$268,891</u>	<u>(\$550,433)</u>	<u>\$ 4,109</u>

RADIO ENGINEERING PRODUCTS LIMITED
AND ITS SUBSIDIARIES

Consolidated Statement of Source and Application of Funds
for the five years and four months ended October 31, 1967

	Four Months Ended		Year Ended June 30				
	October 31 1967	1966 (unaudited)	1967	1966	1965	1964	1963
SOURCE							
Net earnings	144,850	189,781	946,452	274,421	268,891	—	4,109
Depreciation	15,128	12,358	37,074	37,720	45,498	55,393	65,792
Amortization of deferred engineering . .	7,670	—	1,231	—	—	—	—
Amortization of deferred moving and training	14,013	8,095	30,815	—	—	—	—
Loans from shareholders	—	24,116	94,659	85,057	48,568	—	—
Collection of mortgages receivable	243	130	385	5,929	6,612	2,521	—
Sale of real estate	135,000	—	—	—	—	67,928	—
Bank loan (long term)	—	—	—	—	—	—	554,500
	<u>\$316,904</u>	<u>\$234,480</u>	<u>\$1,110,616</u>	<u>\$403,127</u>	<u>\$369,569</u>	<u>\$125,842</u>	<u>\$624,401</u>
APPLICATION							
Operating losses	—	—	—	—	—	550,433	—
Additions to fixed assets	71,139	303	50,025	14,221	17,378	45,359	130,520
Engineering deferred	—	—	—	145,034	127,358	226,717	220,533
Moving and training deferred	—	—	—	80,324	105,495	—	286,510
Repayment of shareholders' loans	21,751	—	—	—	—	37,096	16,774
Redemption of preferred shares	—	—	—	—	—	25,600	—
Advances to employees	—	—	—	—	—	—	19,540
Payments on mortgages payable	—	—	—	—	—	—	1,136
Repayment of bank loan (long term) . .	135,000	—	—	—	—	—	—
Increase (decrease) in working capital .	89,014	234,177	1,060,591	163,548	119,338	(759,363)	(50,612)
	<u>\$316,904</u>	<u>\$234,480</u>	<u>\$1,110,616</u>	<u>\$403,127</u>	<u>\$369,569</u>	<u>\$125,842</u>	<u>\$624,401</u>

Auditors' Report

To the Directors,
RADIO ENGINEERING PRODUCTS LIMITED.

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Radio Engineering Products Limited and its subsidiaries as at October 31, 1967 and the consolidated statements of net income, retained earnings and source and application of funds for the five years and four months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at October 31, 1967 and the results of their operations and the source and application of their funds for the five years and four months then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

We further report that, in our opinion, the accompanying pro forma consolidated balance sheet presents fairly the financial position of the companies as at October 31, 1967 after giving effect as at that date to the transactions described in Note 1 to the financial statements.

Toronto, Canada,
January 16, 1968.

(Signed) COLLINS, LOVE, EDDIS, VALIQUETTE & CO.
Chartered Accountants.

Additional Information

There are no material facts relating to the Company or any of its subsidiaries not disclosed in this prospectus.

Dated: February 22, 1968

Certificate of Company

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, by the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick), and there is no further material information applicable other than in the financial statements or reports where required or exigible.

On behalf of the Board of Directors

(Signed) C. B. FISHER
Chief Executive Officer

(Signed) C. B. FISHER
Director

(Signed) S. T. FISHER
Chief Financial Officer

(Signed) S. T. FISHER
Director

Directors

(Signed) C. B. FISHER

(Signed) I. R. McDOUGALL

(Signed) S. T. FISHER

(Signed) G. C. WATT

(Signed) C. J. MILLNER

(Signed) A. NOODELMAN

(Signed) J. H. HAWKE

Certificate of Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, by the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick), and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and the adequacy of the foregoing.

GAIRDNER & COMPANY LIMITED

per: (Signed) E. A. LOVELACE

The following includes the names of all persons having an interest, directly or indirectly, to the extent of not less than 5% in the capital of Gairdner & Company Limited: J. S. Gairdner, J. H. Hawke, G. C. Watt, J. H. Brown, F. J. McDonald, A. T. Kenner, E. A. Scott, I. K. Ferguson, R. H. Smith.

